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Ban on Gold Trading and Gold Possession in Hongkong

Hongkong Government issued an Order prohibiting transactions in, possession of and publishing of information about gold which took effect as from April 15. The Order was made by adding four paragraphs to Regulation 1, of the Defence (Finance) Regulations, 1940 (which were published in this Review on April 16, 1947, pp. 182/3). Previously all dealings in gold were already prohibited and Government was authorised to purchase all gold at a price to be determined by itself from residents in the Colony who have to offer it for sale. The same restrictions as did apply to gold also did apply, according to the Defence (Finance) Regulations, to transactions in and possession of foreign currencies. But, in the past, Government did not enforce these Regulations except, for some time, the ban on imports and exports of gold with, however, practically no success.

The Defence (Finance) Regulations were issued here on March 21, 1940, being part of Hongkong War Emergency Legislation made under Emergency Power (Defence) Acts, 1939/40. These Emergency Regulations remain not only still in force but are, as the present instance shows, further expanded in spite of changed conditions. The most charitable thing one can say about the apparently interminable application of these war emergency laws is, to quote Mephistopheles: "All rights and laws are still transmitted like an eternal sickness of the race,—from generation unto generation fitted, and shifted round from place to place. Reason becomes a sham, Benevolence a worry!"

The New Prohibitions

The four new prohibitions, in addition and part extension of previous restrictions of the Regulations, ban (1) the use of gold as security, (2) the possession of gold, (3) owning of gold, and (4) publishing matter referring to gold dealings. The official text reads as follows:—

Except with permission granted by or on behalf of the Governor, no person shall, in the Colony, enter into any transaction whereby gold is made the security in any manner for the fulfilment of any obligation wherever such gold is situated.

Except with permission granted by or on behalf of the Governor, no person other than an authorised dealer shall, in the Colony, possess any gold.

Except with permission granted by or on behalf of the Governor, no person resident in the Colony other than an authorised dealer, shall enter into any transaction whereby he becomes liable to deliver gold outside the Colony to another person.

No person shall, in the Colony print or publish any information relating to the sale, purchase, borrowing, lending or use as a security of gold or as to any terms upon which such transactions have been or may be entered upon in the Colony or elsewhere.

At the same time with the official release of the new prohibitions, Government desired to explain the reasons for this extraordinary piece of war emergency legislation by issuing the following "Explanatory Note":—

1. The effect of the Defence (Finance) Regulations 1940 (Variation) Order, 1949, published in the Gazette of the 14th April is generally to prohibit all dealings in gold, and to forbid the possession of gold, except with permission granted by or on behalf of the Governor. The Order further prohibits the printing or publication of any information regarding transactions in gold.

2. The International Monetary Fund imposes certain obligations upon its members and when His Majesty's Government became an original member and signed the Articles of Agreement, these obligations were accepted on behalf of the overseas territories, including of course Hongkong. In particular, there are certain obligations in regard to dealing in gold at prices in excess of that laid down by the Fund, and in regard to collaborating with other members to promote exchange stability.

3. It is well known that for some time past there has been an active gold market in Hongkong, the price quoted being always well in excess of that laid down by the International Monetary Fund. In a statement issued in June, 1947, to all its members, the Fund agreed that such gold transactions would not be objected to unless, inter alia, they had the effect of establishing new rates of exchange. In such case these transactions would clearly be in conflict with the undertaking to promote exchange stability.

4. It has been pointed out that the gold market in Hongkong does in fact have the effect of establishing new rates of exchange. Although the Government of Hongkong has for some time enforced a rigid prohibition on import and export of gold, it is evident that extremely large transactions in gold continue to be financed on the local market. Very substantial sums in foreign currencies at open market rates are involved, and this has the

effect especially of weakening sterling against the U.S. dollar. As the prohibition of import and export of gold has failed to have the desired effect, the Government of Hongkong, in fulfilment of its obligations to the International Monetary Fund, is therefore obliged to take the further steps embodied in the Order.

5. There may be many cases of persons who, at the date of this Order, have entered into commitments involving gold. Permission, under special conditions, will be granted to such persons to liquidate their obligations, provided that it can be shown that in respect of the particular lot of gold there has been no contravention of the ban on import which has been in force since the 16th May, 1947.

6. It is not proposed to interfere with the legitimate trade in jewellery.

Cause and Effect

The gold trading and possession ban was caused by the British Treasury who have since a long time tried to compel Hongkong to abide by the I.M.F. rules but these financial doctrinaires in London were also motivated by a desire to curtail, if not entirely to close down, the open exchange market of the Colony. Hongkong Government is free of blame; they always have realised the importance of an open exchange market here without which the business of the Colony could not have prospered. Step by step the Imperial authorities however have fenced Hongkong into the rigid system which may have its merits in a country like Britain but causes only harm to a free port like Hongkong. This Colony is an entrepot and can only survive as such — in any other form it loses its *raison d'être*. In our last issue (April 13) several articles from official pens clearly outlined the position of Hongkong. However against maniacs of controls our sound arguments have not succeeded to avert this last attempt to harm the business interests of the community.

The I.M.F. may express its satisfaction that the ban here has finally been promulgated—without even the slightest pretence, in this democratic age of ours, to consult the citizens here and then to legislate. The propaganda line of "Hongkong—the show-window of democracy in the Far East" can be buried; so far-reaching a measure as the prohibition on gold possession and the publication of information as to gold dealings has been decreed without the public or the officially appointed Council members ever having been given a chance to voice opinions.

The reasons given by Government here in its "explanatory note" as to the local gold market having had the effect of establishing new exchange rates, which were prompting the authorities to issue the ban, are fallacious; with and without a local gold market's operations the premium paid for US\$, the world over, will continue. There are everywhere quoted two exchange rates, a fact which the I.M.F. knows, investigates and, from time to time, publicises in order to impress on its members that a currency devaluation is about overdue, meaning that in terms of US\$ and gold such currencies should be pegged on a lower level. While especially spokesmen of the U.S. Government are at times emphatic about the need of other countries' currency devaluation, the I.M.F. has the nerve to request that the gold trade (at prices higher than the artificial parity) be banned. *Fiat voluntas tua, I.M.F.*, and if the people lose their shirts!

The effects of the gold ban here must be viewed from a political and psychological angle. The Colony's population is over 98% Chinese and their idea about the intrinsic value of gold and silver cannot be altered by a decree. Chiang Kai-shek has tried it, last August 19, but today there are free gold markets legally operating all over China and the importation of gold is free, and will be, as from the current week, even no longer subject to duty payment. To order the Chinese here to cease buying, selling and possessing gold is regarded by the people as a serious and unwarranted interference by the authorities in their private lives. The psychological harm thus done cannot easily be undone and much of the slowly built up good will may undergo a change for the worse. Whenever in the past there was some discussion about the possible introduction of a ban on gold trading—and there were many rumours circulating at the gold exchange and in financial circles—the old residents refused to believe in the seriousness of such proposals, especially now when free gold business is legalised in more and more countries, members and non-members of the I.M.F.

The ban on the possession of gold is certainly going one step too far whatever one may hold as regards the ban on buying and selling. But, from the point of view of the Press, the most serious matter in the gold ban of April 14, is the prohibition—in peace time—of publishing information regarding gold transactions. This order violates the principle of the freedom of the press and constitutes an abridgement of the functions of the press.

Gold Trading and gold operations

(1) Imports and exports of gold have previously been forbidden but trade was still regularly carried on. Imports arrived from Macao (where they were legally imported from various countries, members and non-members of the I.M.F.), and exports were consigned mostly to China, and some other Far Eastern countries (Indochina, Malaya) and India (where an open market exists but direct imports are banned as that country's exchange re-

sources are low). Macao could re-export gold bullion, as in fact it does to South China, if only communications were better than they are. Without a deep sea harbour and an airfield, Macao must rely on flying boats for overseas communications and for regional traffic on river steamers, other river craft and motor vehicles on the only road connecting it with China (to Shekki). Thus, rerouting of cargo, merchandise and bullion, via Hongkong is necessary. The new ban in the Colony cannot be expected to curtail this transshipment business which has been going on for years.

(2) Gold operations here were carried on on an official and a curb market both for spot and forward delivery. Only a small percentage of forward business was entered into for actual future delivery, almost all transactions being fictitious, involving no gold but contract notes, and, resembling a gambling proposition, were sooner or later cleared by one side paying to the other interest and, eventually, the difference in price at the start and close of the "position." To establish a reliable day-to-day rate an open market is essential but if such market is proscribed a black market will be created where rates will also be established but with less efficiency and reliability. As, however, the local market quotes in accordance with overseas and neighbour markets, a certain measure of stability is assured; the rate in Far Eastern markets is influenced by overseas supply prices, freight, insurance and duties, and the off-take position in consuming centres.

All gold in the post-war world is internationally sold against T.T. New York thus further expanding the demand for US\$ which results from the great productivity of America and the relative inferiority of other manufacturing countries. It is the U.S. Government who maintain foreign exchange rates—including sterling—on their present official as well as unofficial levels by grants and loans (E.C.A.); the huge deficit which almost all countries are running up in their merchandise trade with the U.S. is, to a very small extent, further enhanced by the gold demand coming from various countries (mostly Far East, India) which is supplied by other countries (being either in the British Commonwealth or in Latin America or Europe) but which is to be paid for in US\$, the only currency of which everybody is short and against which not only bullion but also a certain number of materials and produce are sold provided that there is a very insistent demand for them. Hongkong does not supply, from its direct trade proceeds or other earnings, the US\$ required by gold importers; these free funds in New York are available all over the world but at a considerable premium. Hongkong's US\$ receipts have come mostly from overseas Chinese family remittances and from export proceeds of largely China produce; other US\$ funds being sold here came from the deposits of wealthy private Chinese and Chinese government and military officer, as well as from US\$ credits transferred here from other financial centres (such as Bangkok).

Developments elsewhere

In contrast with the ban on gold trading and possession here, the South African Government has rejected the I.M.F. interference with their sale of 100,000 ozs of semi-processed gold at a premium over the artificial gold parity. The Fund, on Feb. 24, stated in Washington that they "strongly objected" to the South African gold policy but nevertheless further gold sales, as commenced with the first lot of 100,000 ozs, by the Union of South Africa will continue. The Union Finance Minister Havenga stated that "dealings in semi-processed or fully fabricated gold are replacing dealings in the form of coin or bar gold intended to constitute gold hoards." If the I.M.F. would plead with the United Nations to introduce a greater measure of political and economic stability in this post-war world it might then be less necessary to prohibit, through certain member governments, gold trading and possession. Meanwhile, the number of "jewellers" obtaining gold from the South African mint has risen from 10 in 1939 to over 200 last year, and this number is still, and quite naturally, increasing.

Gold trading, possession and import have been freed in China from any restriction and the gold import duty is to be lifted as from this week. Our neighbour, Macao, is permitting every form of gold business but requiring importers to pay a duty. Free transshipment is possible in Far Eastern ports like Saigon, Bangkok, Rangoon. To attract more gold business the Governments of Syria and the Lebanon have now extended the period during which gold in transit may be held in these two countries, two months being the minimum and this period is renewable for 2 more months. No destination of gold shipments have to be declared any longer. The Greek Government has lifted all restrictions on gold holdings and imports. The Government of Tunis has freed gold transactions from any restrictions. Business in the U.S.A. in gold bullion is carried on under the name of "gold in its natural state" which is legally protected under Section 19 of the Regulations issued under the Gold Reserve Act of 1934, which stipulates that "gold in its natural state may be acquired, transported within the U.S., imported, or held in custody for domestic account without the necessity of holding a licence therefore." The American bullion firm of Stoll Warden Co. is accepting orders for gold "in its natural state" at a price of US\$ 42½ per fine oz. The firm of Bache & Co., New York, earlier solicited inquiries for gold delivery within 30 days at a price of US\$ 47.35 per fine oz (or US\$ 39¼ per oz of 0.850 fine), and for August delivery at \$47.35 per fine oz (\$40¼ per oz of 0.850 fine). Furthermore, the same firm offered for sale on a 30% margin for forward delivery any quantity of gold, prices fluctuating in accordance with one law only, the law of supply and demand. There are free gold markets in almost all Western European countries, especially Italy, France, Netherlands and Belgium.

Productivity and Industrial Peace in Hongkong

Productivity is a word which is so often used by Governments in their reports and exhortations to the workers as to be classed as hackneyed. In pre-war Asia, increased productivity of an industry was often obtained with the use of cheaper labour, but as is quite apparent, Trade Unions are starting to develop and make their influence felt throughout the East. Hongkong has many small factories now, and there are prospects of further factories and industries being set up here in the near future. Many of the factories are producing goods such as cotton manufactured articles for which the demand is elastic. Consequently, the owners are endeavouring to lower their costs of production and subsequently their prices, hoping for a more than proportionate increase in sales. Nowadays, there are not the opportunities for reductions in wages to meet world competition, so economies will have to be effected in other ways.

One of the obvious means of lowering costs is the introduction of efficient machinery and this is being carried out by the progressive factories of the Colony. But by far the greatest need in the East is to increase the output per man-hour of the worker and for this to be successful, the co-operation of the Trade Unions is very necessary. There is so much scope for improvement in the output of the Eastern worker that means and methods of increasing this output must be found. It must be pointed out to the workers that an increase in their efficiency will lead to higher real wages if not higher money wages, and that the products of the industry will sell more cheaply, thus benefiting the population as a whole. But of course the reaction of wages depends on the attitude of the population in different countries, and in the Far East this factor is one which the Trade Unions will find very difficult. If the Eastern worker finds that he now can earn in three days what he used to earn in six, then he may only tend to work for three days and take three days holiday. This possibility raises the problem of educating the workers to be ambitious and improve their standard of living. It has been found in various parts of the East that with the advent of active Trade Union action and high wages production has remained at the same figure and has not shown the increase which was hoped for by the industries concerned.

The Trade Unions now growing into what is expected will be beneficial and progressive sections of the community hold in their hands the key to this problem of increased productivity. They must find the inspired leaders with a knowledge of industry and a social conscience who will consider the prosperity of their industry and not be partisan.

It is therefore necessary that political propaganda is being kept out or at least reduced in scope and intensity when labour questions are discussed and dealt with. However, the present mood of labour here, as elsewhere in China, is more vindictive and the labour move-

Preserved Ginger Industry in Hongkong

By U Tat Chee

(Chairman, The Hongkong Preserved Ginger Distributors Ltd., and Vice-Chairman, Hongkong Manufacturers' Union)

Before coming to the very core of the subject of the Preserved Ginger Industry let me say that much has already been talked about Ginger both in America and in England. This I found out when I attended, as one of the members of the Hongkong Delegation, last year's B.I.F. En route to London the s/s President Cleveland, on which I travelled, called at San Francisco. On board I was interviewed by a number of newspaper reporters whose intriguing question was: "Where is

ment has increasingly assumed a political character. In this it meets with the common people's political aspirations and makes itself the most audible or potentially strongest advocate of social change. The vernacular press, with few exceptions, has adopted a stand against American policy in the Far East and elsewhere in the world, thus falling in line with the majority opinion inside China. At the same time sympathies with the Soviet Union are increasing and what good will there may have previously been fostered among Chinese in respect of the Anglo-American world is becoming very unstable. The youth in Hongkong is particularly enthralled by revolutionary socialism and propaganda among the workers, even in the crudest form, has recently, spurred on by success of Communism in China, made faithful followers among previously indifferent workers.

This psychological attack on the Eastern worker may have most important results on the productivity of the workers. Belated efforts at social reform will not do any longer. The authorities should try to explain in understandable language and with figures and facts just what Anglo-American financial assistance has achieved and how the community has been benefited by the present government. There is most certainly a buyers market in political ideologies these days and it is very necessary to sell a way of life when one is faced with the equivalent of cut-throat competition. The creation of a working population who are satisfied or fairly satisfied is the simplest method of increasing productivity, but while the Government take no steps to convince the working population by facts and figures that they are better off than they would be under certain hypothetical conditions of Communism, they are losing the first round of the fight. Industrial peace is fundamentally necessary to prosperity but at present strong forces are at work amongst the Chinese labouring classes to emphasise causes for dissatisfaction with economic conditions; ipso facto, dissatisfied workers are not highly productive workers. Negligence with regard to this problem will be serious in its results. The authorities should appreciate that. The answer to the present labour challenge is to increase productivity and prosperity of the masses by engendering satisfaction amongst the labouring classes.

King Ginger?" I confess this almost overwhelmed me but I quickly recovered to give a reluctant answer. This sobriquet was, in part undeserved and too good to be true, but as it has gained such wide currency and has, willy-nilly, come to stay, I consider it to be in thoroughly bad taste were I to do such a thing as to give it a wide berth. The press in London gave considerable prominence to the visiting Delegation from Hongkong. On my first day of arrival the Daily Mail, which was reputed to have a circulation exceeding the million mark, came out with a long article in which I was hailed at one length as "King Ginger," and at the other, "Mr. Ginger." At Birmingham, Blackpool, and other Midland cities I received no less press publicity which, to say the least, has gone far to enhance the name of Hongkong, so little known among the large British public.

Happily, my visit to the United Kingdom has brought me into personal contact with many of the leading British manufacturers and businessmen who generally expressed a keen desire to know more about Ginger. Even at the Hongkong Stall in the B.I.F., countless visitors, either from curiosity or design, asked "Who is the Ginger King?" However, the many friends I have made gave me a good insight into their admirable qualities. It is certainly true to say the British people possess a highly developed sense of humour, a tenacity of purpose, and a strong will to overcome difficulties. Typical of their unconquerable spirit was the fact that, in their darkest hours and at the height of the air Blitzkrieg, they stood their ground unshaken and unflinchingly.

Start of Ginger Industry

Now about the Preserved Ginger Industry. It will be observed that it has a very early beginning and in the course of almost a century, the ginger trade has been developed with various countries, with the United Kingdom taking the lead as the most important buyer. About 120 years ago, Li Chy, then a hawker of food in Canton, first conceived the idea of preserving ginger in syrup. His formula, though simple, opened up vast commercial possibilities for the ginger trade and it was the enterprise of this Canton food hawker who first founded an industry which has since grown into its present importance. Li Chy, who had little financial means, started production with only a small outfit which must be judged as primitive and inefficient. But orders poured in so fast that soon he was able to set up a larger factory, called "Chy Loong." Among his first customers at that time was an Englishman who, about to return home, bought some preserved ginger which tasted delicious. This Englishman, thinking of his friends at home, bought more of the product to be given away as presents. It was said that later Queen

Victoria also received a present of the preserved ginger which she appreciated so much that it was ordered to be served as dessert at all official banquets. In order to make his product more widely known, Li Chy subsequently changed the name of his factory to "Chy Loong Ginger Factory"—a name he considered more symbolic of the product he was making. Business by this time had acquired such proportions and overseas orders come in such a steady flow that it was necessary to find a more ideal location that could serve as a more convenient shipping point. Hongkong was the choice and, in 1845, Li Chy removed his Canton factory to Hongkong. Thus was marked the beginning of the Preserved Ginger Industry in Hongkong.

The success of the Chy Loong Ginger Factory soon attracted other investors who, holding to the conviction that the preserved ginger industry was bound to prosper, established their own factories. The number gradually increased until today 11 factories in all are in operation.

Ginger and its Uses

It is perhaps not generally known that the ginger plant, which goes by its botanical name of "Zingiber officinale," is of Asiatic and Polynesian origin, having pungent, aromatic rootstocks much used as a condiment. Raw ginger is extensively cultivated in South China, mainly in Kwangtung Province. Crops are harvested usually between the months of August and October when the stems are most tender. The edible part of the plant is, however, the rhizome. Before the raw ginger is preserved in syrup or crystallized, it has to be selected, washed and scraped. These operations are now being done under the most hygienic conditions in all factories whose paramount concern is to turn out this food product in the most wholesome way possible.

According to the National Geographic Society, ginger is one of the "big five" that normally make up nine-tenths of the trade volume of the 25 spices. Ginger, in its original form, seems to have been introduced into England as early as the fifteenth century when it was used in the manufacture of the popular Ginger Breads, fashioned into various shapes and letters of the alphabet. It is believed that King Henry VII included ginger in a recipe which he sent to the Lord Mayor of London to be used as a remedy against the plagues, then ravaging the city. Among the Chinese, even in the time of the Sung Dynasty, ginger was known for its medicinal properties. For people suffering from giddiness and fainting fits, brought on by over-fatigue, "raw ginger juice and wine," thus concocted, and when administered, was said to be a curative. References to the curative value of ginger are found in the history of the early times of China.

Development of Industry

The serious rivalry among the competing factories at one time almost drove the industry to the rocks. I

realized how untenable the situation was and, on my initiative, I called a meeting of all the ginger producers to whom I outlined the desirability of pooling their interests, if disaster was to be averted. This scheme was fully endorsed by all and thus was formed The Hongkong Preserved Ginger Distributors Ltd. of which I was and am still the Chairman and Managing Director. This organization was entrusted with the task of regulating exports, improving quality and packing, and standardizing prices.

During the war years, none of the factories operated. The enemy carried away stocks and equipment, while the factories also suffered considerable war damage. The Japanese ordered the factories to produce food to increase the diminishing supplies. However, the factories closed down rather than to collaborate and members of their staffs evacuated to Free China. On the re-occupation of Hongkong by the British Army and Navy in 1945, trade witnessed a revival and, with it, a resumption of the ginger trade. Much was due to the support and encouragement from the Hongkong Government and to the financial assistance from the Hongkong & Shanghai Banking Corporation that rehabilitation of this industry was made possible. Recovery of trade for the factories was, however, necessarily slow. It was almost 18 months after the war that licences were granted by the Ministry of Food for small shipments to the U.K. In 1947, the import quota to the U.K. was increased to 2,000 tons and in 1948, 3,000 tons. Prices have been gradually reduced. The 1948 level of price was 40% lower than that of 1946.

In view of the importance that the Preserved Ginger Industry has attained in Hongkong, other countries sought to enter into this field of business. The Japanese in Formosa (before their defeat in World War II) had experimented with the growing of ginger; the Americans in Cuba; the Australians in Queensland; and the Dutch in the East Indies. But, from their beginning they were doomed to disappointment. Ginger grown by them was of the undesirable quality—it was spicy hot, hard, stringy in texture, and very yellow in colour, whilst South China ginger was tender and had its characteristically spicy taste not too hot as that grown elsewhere.

Long-term planning has prompted the "Distributors Ltd." to grow ginger in the New Territories where experimental farms are being cultivated. There is hope that if the crop proves satisfactory, an extensive acreage will be devoted to ginger growing.

The volume of trade from the exports of ginger, reached annually an aggregate value of H.K.\$ 10 million. It is felt that this volume could be increased ten or twenty fold if the world markets were more systematically developed. This is the main task to which the "Distributors Ltd." will bend their best efforts and energy in the immediate future.

Japan's Foreign Trade

Estimates for 1949

Imports in 1949 are estimated by the Economic Stabilisation Board at US\$ 1,060 million and exports at US\$600 m., and import excess of US\$460 m. Principal exports in 1949 (in millions of US\$):—textiles 340, machinery 80, metals 60, aquatic products 15, pottery 15, sundries 20, coal 11, cement 10, rubber goods 12. Among major textile exports will be 650 million square yards of cotton fabrics, 25 to 30 million lbs. of cotton yarn, 100,000 bales of raw silk, 20 million lbs. of rayon yarn and 400 to 500 million sq. yards of silk tissues.

Main imports in 1949:—1.8 million tons iron ore, 1 m. bales raw cotton, 1 m. tons highgrade coking coal, 400,000 t. anthracite, 1.4 million t. industrial salt, 170,000 bales wool, 260,000 kilolitres heavy oil for steel manufacture.

Exports from Japan are eagerly taken up abroad but conditions in China are such as to make shipments to that country difficult; unification of the country under a stable government, is however hoped for in Japan as such development will enhance China's economic power. Most buyers elsewhere in Asia and other parts of the world cannot order more than their exchange resources permit; as Japan trade is based on the US\$ and most trading partners have to pay or to settle outstanding balances in US\$ overseas buyers cannot take up as much as the customers desire.

Iron & Steel Allocations

The iron and steel allotment for the coming 1949-50 fiscal year is estimated at 1,840,000 metric tons. The figure is only one half of the estimated demand of 3,635,858 tons, though it is about 50 per cent larger than the 1948-49 allotment. The notable fact is that about 30 per cent is earmarked for export purpose, inclusive of 293,000 tons for shipment in form of rolled products and 259,600 tons as material for export machinery and appliances. If these export quotas are excluded, the allotment for domestic use is nearly the same as in 1948-49.

The allotment quota for shipbuilding is more than doubled, registering an increase of 74,000 metric tons, and that for iron and steel works is boosted about two-fold or by 16,000 tons. The quota for Government railways is increased by 27,000 tons, or 20 per cent. Major curtailments, on the other hand, are 61,000 tons, or about a quarter, for the Occupation Forces, and 190,000 tons, or 15 per cent, for collieries.

Trade in 1948

Japan's exports and imports in 1948 totalled US\$258,621,000 and \$682,612,000, respectively. The former figure is \$4,820,000 more than the \$253,800,000 imports estimated by SCAP and the latter, \$11,780,000 more than the \$694,400,000 exports computed by SCAP. Details of foreign trade since the war's end are as follows: (in millions of US\$):—

Problems of Japanese Economic Revival

(From Our Correspondent)

A conference of the Committee of the whole of the United Nations Economic Commission for Asia and the Far East, was held in March at Bangkok, with delegates from nineteen member governments attending as well as representatives from FAO, UNESCO, the World Health Organisation, International Chamber of Commerce and official observers from SCAP. Amongst the subjects discussed at the conference was the possibility of reviving Japanese trade. It was pointed out by Mr. Theodore Cohen, observer for SCAP, that Japan is the only country in the Far East with sufficient industrial capacity to export substantial quantities of capital goods. During the first years of the post-war occupation in Japan little progress was made in exports, but since 1948, during which year the Japanese machine industry first began to give evidence of recovery, the possibility of increased exports of capital goods became more apparent. Whereas in 1947 only about 3.4 per cent of Japanese exports consisted of capital goods, in 1948 the percentage increased

to 8.2 per cent., while under the bilateral trade agreements now in effect or in the process of final negotiation, the percentage is 13 per cent. of the total or US\$30,000,000 in value.

This is however only a beginning of what can be expected, and during the next five years it is estimated that Japan should be capable of exporting up to an annual average of US\$200,000,000 of capital goods. In the transportation equipment field, including both land and water transport, Japan is estimated to have a total potential availability of \$400,000,000 over the next five years. In the electric power generation and distribution field, Japan should be able to export \$200,000,000 worth of equipment, together with perhaps \$50,000,000 of iron and steel equipment and machinery.

As against these projects is the question of the supply of raw materials and food stuffs available to Japan. Iron ore and coking coal are particularly indispensable and for different but no less valid reasons Japan needs food surpluses, textiles, raw materials, tin and petroleum. Assurances were given by the SCAP officials at the conference that every possibility of increasing and developing industrial projects would be explored. At the same time it was pointed out that exports of Japanese textiles will in all probability not regain their pre-war level, emphasise being laid more specifically on machinery, iron ore and capital goods generally. This statement, in view of the opinions often expressed, as to Japan's possibilities as a world competitor in the textile markets, is of interest. South Africa and India are particularly vulnerable to this form of competition, and in this connection it is learned that British textiles in the South African market have already been undercut by as much as 10/- a yard. A further cause for anxiety has been Japan's growing demand for raw wool in Australian markets. In this connection it will be recalled that Japan is permitted to buy up to £4,200,000 worth of Australian wool during the period ending June of this year. All this, therefore, makes the recent statement at Bangkok welcome and somewhat reassuring.

As regards Japan's financial position, it was pointed out that Japan is in no position to extend credits and would not be in a position to so while dependent on United States appropriated funds, but that "there could be no financial bar to payment for machinery and equipment in food or in other raw materials." The possibility of securing loans from the World Bank was discussed and hope was expressed that some assistance could perhaps be forthcoming from that quarter.

So much for the Bangkok conference. In Japan itself, discussion has centered to some extent on the budget figures, with particular em-

phasis on the occupation costs for the coming year. As compared with the past fiscal year these costs for the coming year will be 7 per cent. lower. In other words, the occupation forces cost Japan 16 per cent. of the coming year's general accounts budget, as compared with 23 per cent. during the past year. Although the figures show a decline, the final result is not considered satisfactory, as it is widely felt that with this drain it is difficult to secure a sound economic basis for a new democracy. The actual yen figures are higher—125 billion yen as against last year's 107 billion yen. This is, however, due to the decline in the yen purchasing power.

Japanese combines, which were so carefully built up before the war and which were the leading factors in Japanese financial economy, are now, following orders from the American authorities, being rapidly decentralized. This is being largely achieved by the disposal of shares by public auction or by their being taken over by former employees. Shares of the Zaibatsu combine approaching the 100.5 million mark have already changed hands. These represent roughly US\$17 million and should, it is anticipated, react favourably upon the decentralization plans.

The strong left-wing tendency of the labour unions in Japan is noticeable, although the occupation has put something of a curb on the Communist political activities throughout the unions. The number of unions totalled 36,000 at the end of 1947, but have now reached the number of 36,394 with a membership of over 6.7 million. Japan's employment problem is at the same time becoming more acute with the dismissal of approximately 1,350,000 Government and private industrial workers under a retrenchment scheme designed to cut down expenditure. It is true that a large number of these workers will be absorbed in export and private and public enterprises. Unemployment insurance will also take care of a number and it is announced that relief will be continued for some time. This latter is, however, only a temporary measure and cannot alleviate the position for any length of time. These are the Government plans to remedy the situation but increasing the numbers of workers in industries already well supplied will only create a surplus, and there is already evidence of this. The situation is serious and threatens to become more so especially as any schemes to provide jobs will necessitate taking a year or two to get going on even a comparatively generous scale. On the other hand, it has long been recognised that Government offices and many private enterprises have been over-burdened with excess labour but the change over to more reasonable numbers is a task that needs careful handling and should be done slowly.

	Im- ports	Ex- ports	Im- ports Excess
Sept., 1945-Dec.,			
1946	300.0	120.0	180.0
Jan.-Dec., 1947 ..	526.1	173.6	352.5
Jan.-June, 1948 ..	348.5	77.4	271.1
July-Dec., 1948 ..	334.1	181.2	152.9
1948 Total (A) ..	682.6	258.6	423.9
Jan.-Dec., 1937 (B) ..	1,086.7	912.1	174.6
A/B, %	62.7	28.3	—

The adverse balance of US\$423,991,000 in 1948 was covered by the GARIOA funds. Compared with the 1937 level, imports comprised 62 per cent and exports 28 per cent, indicating the shrinkage of trade volume. The percentage would further drop to 32 for imports and 14 for exports, if account is taken of the two-fold increase in the dollar prices.

For all this, it is gratifying to note that foreign trade has been recovering gradually since the war's end, reflecting the steady rehabilitation of industries in Japan. For instance, outgoings in the first half of 1948 were only \$77,400,000 but it doubled to \$181,200,000 in the latter half, or larger than the previous year's aggregate exports of \$173,600,000.

Such brisk trade was ascribed, for the most part, to the successive conclusion of trade agreements and the ensuing active shipment of piece-goods in stock. Textile exports to the Netherlands East Indies, India, etc. showed sharp gains in the latter months of last year and in December \$46,000,000 worth, or about twice the November figure, was shipped. Since the turn of the current year prospects have brightened more than ever due to the increasing indications that similar agreements will be concluded with Siam, Pakistan, Belgium, Argentina, etc.

Political Situation in Japan

(by Masao Takahashi)

The present political situation in Japan can be analyzed only in the light of the state of affairs prevailing immediately before Japan's surrender when two distinctly opposed political tendencies existed side by side. One of these, represented by the young officer groups, fascist organisations and, possibly, the new zaibatsu, favoured continuation of the war. The other—comprising the top military, political and business leaders, the petty-bourgeois and humanitarian pacifists, and the industrial workers and peasants—favoured acceptance of the terms of the Potsdam Declaration. Certain personalities of importance in the contemporary political arena—for example, Shigeru Yoshida and Kijuro Shidehara—sought actively to end the war. The courage of such politicians, who persisted in their views despite arrest by the dreaded gendarmerie, merits admiration; but it is necessary to distinguish between their heroism and their motives in advocating a speedy end of the war. Allowing for the peculiar conditions arising out of the Allied occupation, it may be said that, until the fall of the first Yoshida Cabinet in May 1947, political power in Japan lay with the very groups that had controlled the country before her surrender. (Yoshida returned in October 1948). To be sure, power slipped from the hands of the group that had advocated continuation of the war into those of the "pacifist" group. But was it ever relinquished by the bourgeoisie between the exit from the political stage of Shidehara shortly after the outbreak of the Manchurian incident (1931) and his reappearance after Japan's surrender? Absolutely not. What did change were the administrators; the policies themselves remained fixed. The Yoshida statement cited above suggests the motives of those who advocated the surrender policy. It was only toward the end of the Yoshida Government, when it was proposed to form a coalition cabinet through inclusion of members of the Socialist Party, that the traditional power structure began to reveal signs of instability.

A series of SCAP directives issued in the early phase of the occupation dealt a crushing blow to the traditional ruling class, and to its political representatives in particular. Yet the opposing "democratic" forces were so bewildered by, and ill prepared for, the sudden expansion in their political horizon, that they could not take advantage of the weakened state of their rivals for political power. A virtual political vacuum ensued, until the bourgeoisie began to reorganise, while at the same time the mounting inflation strengthened the socialist forces and brought the Socialist Party rapidly to the fore. In the face of this new situation, the bourgeois political forces endeavored to capture the petty-bourgeois elements within the Socialist Party. This policy led to much

confused maneuvering. The Socialist Party embraces a motley collection of political groups. Its left wing, which is extremely weak, espouses what may be termed scientific socialism, while its right wing seems to include almost anything. To be sure, the workers and peasants, organised earlier, form the core of the Party, but there is good reason to suspect that many of the Party leaders, while superficially advocating socialism, have joined forces on the parliamentary battlefield primarily to derive what personal benefit they can from the postwar political situation. Put in a different way, the Socialist Party represents a miscellaneous combination of almost all possible elements except the zaibatsu, bureaucrats, industrialists and capitalists. The obscure course and frequent oscillation of Japanese politics in the postwar years are attributable largely to this structural peculiarity of the Socialist Party.

Opposing the Socialist Party are the two conservative parties—the Democratic-Liberal and the Liberal. Although the basic interests of these parties are similar, there are several reasons for their coexistence. In the first place, there is disagreement on the part of two bourgeois groups over how best to perpetuate the capitalist system in Japan. One faction—the Democratic Party—favours adoption of "revised capitalism", while the other—the Democratic-Liberal Party—endorses unrestricted *laissez-faire* capitalism. That the two major conservative parties do reflect these opposing views became clear last year during the controversy over government control of the coal industry. The second reason is a difference in attitude toward the mounting influence of the working class (which is due in no small measure to Allied occupation policies). In order to cope with the spread of socialist ideologies in Japan and to preserve the basic features of the capitalist system, a new faction, quite distinct from the old die-hards among the same bourgeois class, has come onto the scene to advocate modification of the old-type capitalist system. The emergence of a political party based on this revisionist platform may prove to represent a major gain for Japanese capitalism; for, whereas the working class cannot co-operate with supporters of conservative capitalism, it may be willing to do so with advocates of a modified capitalism. One may say, therefore, that the aim of the Democratic Party is to sap the strength of the working class by attracting some of the latter to its camp. The third reason for the coexistence of the two conservative parties is the absence of political unity among working-class elements and, thus, of any urgent need for consolidation of the conservative forces.

Another non-socialist party—the People's Co-operative Party—appears to

rely for support on members of the now-defunct farmers' co-operative associations and other former ruling groups in rural areas, as well as on scattered elements among the urban bourgeoisie. While this party has little chance of surviving as an independent entity in the long run, it might conceivably, if political developments permit, acquire major status as a result of the activities of petty-bourgeois elements within the Socialist Party.

* * * *

The position of the Japanese Communist Party is naturally related to the strength of the labor unions. Any party that can look for support to six million members of organised labour represents a force to be reckoned with. While the connections between organised labour and the political parties are not clear, it is undeniable that the Communist Party exerts a strong influence on a considerable section of organised labour which always acts in strict conformity with the Party line. The CP has sought strenuously to expand the Japanese Congress of Industrial Unions, the rival of the long-standing General Federation of Labour Unions, and has acquired a powerful political voice through the support of this organisation. Persons under the influence of the CP appear to include a large proportion of workers, a minority of farmers, and a sizable number of progressive intellectuals. It is noteworthy that, whereas the Party officially endorses the principle of peaceful revolution, and disavows that of a proletarian dictatorship, in practice its activities point in quite a different direction. Thus, though it advocates economic reconstruction and social security for the people, its actual practice reveals, that it favours whatever policies will disturb the national economy and social equilibrium. Recent example of this contradiction between profession and performance are the Party's opposition to the investment of foreign capital in Japan and its campaign in support of non-payment of taxes. It remains to be seen whether such behavior will enable the Party to retain the support of workers now under its influence. Possible indications of rank-and-file dissatisfaction with these doctrinaire tactics were the recent so-called democratisation movement within the Congress of Industrial Unions and the dissenting note heard in the sixth convention of the Party.

Important as the political parties are, they do not represent all of the political influences in postwar Japan. The most important non-party influence is the fascist. Scattered throughout the country are many former members of the now-defunct gendarmerie and political police, potentially dangerous. Another unpredictable element are the more than six million repatriates from former Japanese-occupied areas, many of whom have had difficulty in adapting themselves to a democratic way of life. In particular, repatriates from North Korea and Manchuria, whose personal experiences have turned them against

socialism and Russia, are potential supporters of fascism. A third possibly fascist element may be found in persons who have been "purged" from their positions by dissolution of the zaibatsu, decentralisation of monopolistic enterprises, and other measures enforced in the postwar period. There is danger also of an outcropping of fascist tendencies in the rural areas. In addition to the repatriates, former members of the armed forces and purged officials who have found haven in their native villages, there are many former landowners who have been deprived of their economic basis by the agrarian reforms. Although most of them cannot hope to effect a come-back, those who still own woodlands and other property represent a danger because of their hostility to the atmosphere of democracy. And, of course, it is questionable how positive a contribution the "emancipated" peasants can make to rural democratisation. The possibility of a resurgence of fascism in Japan cannot be considered apart from the problem posed by the Emperor system. A personage who inherits special political privileges has no place in a democratic society, particularly in a country like Japan, where relics of tradition and of a distorted educational system still exist. There is no assurance that the Emperor system may not be utilized to advance undemocratic causes. Clear evidence is lacking to show that these potential fascist elements are now organised as an active movement—notwithstanding reports by foreign press correspondents that a secret underground government exists in Japan. On the other hand, if some strong fascist-inclined force, whether of native or foreign origin, were to appear in Japan, these elements would very likely rally to its support.

Another aspect of the present-day political scene is its lack of stability. Given the confused economic and social conditions prevailing in the country, it is natural that politics, too, should be unstable. Political stability will be unattainable so long as there is no systematic utilisation of Japan's economic resources in accordance with broad socialistic principles. Conversely, if there existed a strong political influence based on scientific socialism, it could restore economic and social stability to the country, thereby achieving political equilibrium. As things stand now, petty-bourgeois influences on the one hand and Communist influences on the other have split the democratic forces into two opposing camps. Nor is the relationship between the conservative Democratic and Democratic-Liberal parties any more stable. Indeed, the striking characteristic of the postwar Japanese political situation is instability, whether in the capitalist camp, the ranks of labour, or the rural areas. More often than not, men appear to act against the interests of the particular social-economic group to which they belong. The confused political outlook is merely a reflection of this social-economic instability.

JAPAN'S ECONOMY IN 1948 AND OUTLOOK FOR 1949

(1) GENERAL CONDITIONS

Although the economic situation of Japan during 1948 continued to be featured by stagnation and unrest, the direction and process of economic rehabilitation have gradually become clear, and prospects of future development appear brighter. At the same time, the difficulties of the various problems accompanying the progress of the economic rehabilitation are widely recognized. The economic rehabilitation program materialized in 1948 by the announcement of the five years plan, which has for the background a change in American policy in favour of economic assistance for the rehabilitation of Japan. The results are, an increase in the supply of raw materials, the establishment of various trade agreements, the revision of trade methods for the expansion of foreign trade and the alleviation in applying the Deconcentration of Economic Power Law. There also appeared some auspicious developments such as the moderate tempo of inflation, an improvement in industrial production and an increase in the rationing of staple food. Various problems relating to the fundamental solution of the inflation, such as the establishment of sound finance and the healthy financial accommodation, the increase in production, the abolishment of unfavourable spiral of prices and wages remain to be settled. The expansion of industrial production has

been checked by weakness in the production of basic materials and transportation facilities, as well as by the defective equipment of production. Furthermore, export trade did not show the expansion expected on account of deficient production, poor purchasing power in foreign markets and the complicated international situation. The import of foreign capital also cannot be expected in the near future. The recognition of these difficulties has led to the policy of the ten economic principles (including selective emphasis on economic control and sound finance and credit) the three principles concerning the improvement of business rationalization through checking subsidy policy and deficit loans, and the priority system in the production of export industries. These measures will make national living conditions more difficult through monetary stringency, unemployment, tax burden, restriction on consumption.

Inflation, although less virulent, has not yet been checked. The note issue increased by 60% from 220 billion yen to 350 billion during the year, as against a 2.2 fold increase in the previous year. During the first half of the year, the increase in the note circulation was only 10 billion yen, owing to forced tax collection, restriction of government disbursements and control of loans, but circulation during the latter part of the year showed

Because the present situation creates opportunities for political maneuvering, the establishment of a "third party or third parties" is quite within the realm of possibility. The right and left factions within the Socialist Party have always been so sharply separated in ideology and policy that they sometimes act like distinct political entities. A realignment of socialist forces may therefore take place. Since politicians who are playing active roles in postwar Japan are almost without exception thinking in terms of strengthening and expanding their own individual spheres of influence rather than in terms of advancing broad national or class interests, it is difficult to know whether a "third party or parties" will in fact be established.

Foreign assistance will be essential if the national economy is to be restored. With an ample and properly-timed inflow of foreign capital, the economy may conceivably be stabilized, thereby bringing about political stability as well. Then, and only then, the possibilities of political realignment, which are now indefinite, may take more concrete shape. If we assume that there will be such an inflow of foreign capital and subsequent economic and political stabilization, the balance of political forces in Japan may find the capitalist camp consolidated in a single party and constituting a leading

factor in the political scene, with a major opposition party, resembling somewhat the British Labour Party, formed through a coalition of petty-bourgeois elements and a large segment of the working class. Playing the role of a Third Party in opposition to these two major parties, there will probably be a political force based on scientific socialism and drawing support from progressive working-class elements and the intelligentsia. Extreme leftists may retain their political identity in the form of the Communist Party.

In the event that, with or without an inflow of foreign investments, the Japanese economy continues to be disrupted, the forces on the extreme left, together with the genuine socialists, are likely to increase in strength on the one hand, while on the other the bourgeois elements, mobilizing even fascist groups, may unite their forces—with the result that the rank and file of the masses may be sharply divided between support of left- and right-wingers.

Nevertheless, unstable as it is, the existing political situation may continue unchanged for some time. The realignment of Japanese political forces will depend fundamentally upon such important variable factors as the nature of foreign investments, the evolution of scientific socialism, and developments in the international situation.

successive increases, with a total increase of 130 billion yen, in spite of the restriction of loans and a saving campaign. Monetary stringency and the slowing down of the upward price movement due to a lack of purchasing power cannot be regarded as a cure for inflation.

The national budget for the fiscal year was, nominally, drawn up on a sound basis, although the time-lag between expenditure and income remains to be settled. The time lag is a cause in the acceleration of inflation. Expenditure includes a large amount of adjustment expenses and investments, as well as deficits of special account, which will increase in accordance with the acceleration of inflation. On the other hand, income from taxes and government monopolies is over-estimated. It is feared that the enforcement of the budget will affect the normal development of the national economy through an increase of the financial burden.

The price advance during the year has become moderate and the difference between official and black market prices has been narrowed. The black market price index of the Price Board registered an advance of 20% as against a three-fold increase in the previous year, and the official retail price index of the Bank of Japan showed a two-fold advance as against 3.5 times in the previous year. The successive advance in official prices, freight rates and communication charges, as well as the increase in tax burden had a depressing effect on national living conditions. The lack of purchasing power was responsible for the moderate advance of prices.

Important labour problems still remain to be settled. The unfavourable spiral of wages and prices still continues. The suppression of labour unrest is regarded as an essential factor for the import of foreign capital, and the policy to augment actual wages through an increase in the rationing of staple food and daily necessities was adopted as the first step. Some improvement was realized in the rationing of staple food, though this did not effect the labour situation as expected. Labour policy is centered on wage control, backed by the revision of the National Service Law. The new policy aims at the increase of wages through improvement of production and business results by rationalization, instead of price advances, subsidies or deficit loans. As to government enterprises, business rationalization is also required from the necessity of an independent cost accounting system. The materialization of these principles will be difficult to achieve, in view of the poor condition of production facilities and the shortage of materials and electric power without a temporary decline in production and serious unemployment.

The policy toward readjustment of enterprises, has gradually been cleared. In accordance with the development of American policy toward the economic rehabilitation of Japan, the release of restricted concerns, revision of monopoly prohibition law and the readjustment of financial institutions were enforced. The settlement of the

reparations problem will be probably realized in 1949.

The stock market which continued to be inactive due to lack of favourable factors, monetary stringency and the increasing release of shares, became active from October, favoured by the change of American policy toward Japan and in expectation of lessened economic control and restriction of loans after the formation of the Yoshida Cabinet. The absorption of released shares and the calls on shares for capital increase developed favourably. The issue market became favourable. However, the principle which cover fixed assets and current liabilities through proper capital resources is still far from realization. For this object, the revaluation of assets and liquidation of deficits will

The food situation was better than in the previous year with an increase in rationing of staple food to the general public and workers. The favourable turn in the food situation was due to the early completion of deliveries and shipments of imported food. Shipments of fish and vegetables also showed a favourable development. However, the present ration of staple food is still insufficient, and includes substitutes such as sugar and sweet potatoes, and over 20% of the total supply of food is covered by imports. In view of the development of deliveries of 1948 crop rice and other food, the food situation in 1949 is expected to be favourable, but over 1.5 million tons of food must be imported. In this connection, the abandonment by farmers of cultivation, occasionally to be observed, principally due to forced tax collection must be noted. The effect of the agrarian reform which was completed at the end of the year, and the future development of cooperative associations will be significant in this respect.

Industrial production, though still far below pre-war, showed a favourable development due to continued enforcement of the priority system and the increase in imports of raw materials. The production goal of a 40% increase, based on an output of coal of 26 million tons, iron and steel of 1.2 million tons, is expected to be attained. The increase of production was most pronounced in pig iron, steel, caustic soda, soda ash, rayon yarn, spun rayon yarn, whilst the production of cotton yarn and calcium cyanamide registered a decline, reflecting a scarcity of foreign materials.

The future development of industrial production depends upon several factors. The progressive deterioration of industrial equipment has become serious in various fields of industry, especially in cotton spinning, coal mining and iron and steel industries. The repair and improvement of equipment will require a large supply of funds which, under present conditions, must be covered by unhealthy loans. In several fields of industries, especially coal mining, the increase of production has caused an increase of deficits which necessitated deficit loans and price adjustment subsidies to the detriment of public finance. These increase measures alone. The problems cannot be settled by produc-

import of foreign capital which is regarded as one of the most effective measures, will affect the economic situation, if the state of the industries themselves is not restored. From this point of view, the effect of the rationalization financially upon industrial production will be significant and the adjustment between increase of production and business rationalization will be the most important problem in the Japanese economy in 1949.

(2) PUBLIC FINANCE

Treasury Conditions during the 4th Quarter of the Fiscal Year 1947 (Jan.—Mar. 1948) Owing to the delay in tax collection, revenue and expenditure in the national budget became unbalanced. Revenue was 34% of the estimated figure, whilst expenditure was 50.5% of the budget, the excess of payments over receipts from the beginning of the fiscal year 1947 amounting to 94.5 billion yen. As a result of the aggravation of currency inflation, an expansion of expenditure was unavoidable and additional expenditure amounted to 320.8 billion yen. Consequently the total budget for the fiscal year 1947 amounted to 694.5 billion yen. In order to solve this financial crisis, government drastically enforced tax collection with strong support from SCAP, during the 4th quarter. At the end of the fiscal year, (March 1948), tax collection reach 92% of the estimated figure and this favourable development continued during the adjustment period, April and May. Consequently revenue and expenditure of general account were barely balanced. But the deficit in special account, especially in Government Railways and Communications, could not be covered without loans and debts amounting to 68 billion yen. The excess of payments over receipts for the whole fiscal year 1947 totalled 79.3 billion yen and accounted for 75% of the increase of the note issue which amounted to 103 billion yen. On the whole, the budget for 1947 was well formally balanced but unbalanced practically.

Budget for the Fiscal Year 1948. In view of the acceleration of inflation, the compilation of the budget for the fiscal year 1948 was difficult because of various problems such as the wage level, price adjustment, increase of railway freights and postal charges, and postponement of interest payment on war-time debts. As these problems had not been settled until May 10th, the Cabinet decided on temporary budgets for April, May and June. The entire budget was finally submitted to the Diet on July 2nd, and approved two days later.

Total revenue amounted to 1,543 billion yen and expenditure to 1,438 billion yen, revenue and expenditure of the general account totalling 414.4 billion yen. The net total of the budget for the fiscal year 1948, in comparison with 1946, increased 4.8 times in revenue and 4.9 times in expenditure. Owing to the acceleration of currency inflation and the resultant advance of official prices and wage standards, expenditure in public finance showed a continued expansion since the termination of the war. As regards expenditure, the increase in

subsidies of various kinds and material expenses were most pronounced, followed by personnel expenses. As to details of expenditure in general account, "War Termination" including "Return of Allies' Properties" and "Removal of Repatriations", decreased from 33% of the total expenditure in 1946 to 24% in 1948. Expenses for economic rehabilitation increased year by year, reaching 42% in 1948, whilst expenses for public welfare decreased owing to the return of repatriated nationals. Expenses in special accounts covered mostly economic rehabilitation and public welfare. The greater part of expenses for economic rehabilitation were to cover the deficit of enterprises, for instance, price compensation, government investments in the Reconstruction Finance Bank and other public corporations.

The percentage of taxes in the total revenue of general account increased every year, reaching 64% in 1948, whilst revenue from loans disappeared since 1947. This means that Japanese public finance changed in character from war-time public finance depending upon loans, to peace-time finance with taxes as the main revenue. Revenue from government enterprises and properties, especially the profit of the Monopoly Bureau also showed a marked advance.

(3) MONEY AND CREDIT

Development of Measures Against Inflation. The end of Japanese post-war inflation cannot be forecast but its pace has slackened with the progress of counter measures. In 1946, a partial freezing of savings was enforced, in 1947, restrictions on loans were strengthened, and in 1948 the adjustment of national revenue and tax collection measures were strengthened. These measures were taken interdependently with other steps, but they constituted the leading policies in the respective years to cope with the changing stage of inflation.

Development of measures against inflation in 1948:

(A) Adjustment of national revenue and expenditure—As a result of the loan control introduced in 1947, a slowing-up was witnessed in the trend of inflation, but currency expansion still continued. It was becoming clear that currency expansion had its root in excess of government expenditure. At the beginning of 1948, the Ministry of Finance issued an appeal to the people concerning the unfavourable collection of taxes and revealed more stringent steps for enforcement, fixing a collection mark and stating the determination to attach personal property for arrears of taxes. As a result the amount of taxes collected, which was only 34% of the total estimated amount at the end of 1947, advanced to 92% at the end of March (the fiscal year-end). The effect of this drastic collection of taxes appeared in the form of a marked contraction in currency circulation, with an excess in withdrawals of notes from circulation amounting to 367 million yen during the period from January to March, 1948. Special attention was also paid in the compilation of the budget for 1948/9 to the ad-

justment of national revenue and expenditure. Mr. Draper's report suggested to the Japanese government the enforcement of a tax levy and the collection of arrears of taxes as a measure for checking inflation. Nevertheless actual tax collection since April showed a marked decline on account of the delay in the compilation of the budget and the general shortage of funds directly caused by the drastic tax collection at the beginning of the year. The actual result of tax collection at the end of October was only 38% of the estimated amount.

(B) Enforcement of loan control — The restriction on loans enforced in March, 1947, which brought about fair results during 1947, was also an important measure in 1948, and with the revision in July, 1948, priority for financial accommodation to essential industries was readjusted and reinforced. Among these revisions, the restriction of loans by the Reconstruction Finance Bank which had expanded to an amount almost equal to the total loans by all banks throughout the country is worth noticing. The function of financing industries was mainly transferred to city banks and loans for covering deficits were, in principle, restricted.

(C) Blocking of deposits—The savings blocking measure enforced in February, 1946 had been losing its meaning, as several revisions were successively carried out alleviating restrictions, and as inflation continued to progress. At last, on July 21st the freezing of deposits was completely lifted and a new yen economy established. The amount of deposits with all banks at the end of June, 1948 totalled 292,544 million yen, of which frozen deposits amounted to 29,839 million yen only.

Currency Situation. Despite the aforementioned counter measures, currency expansion continued, although there were indications of some weakening in the rate of increase. The rate of expansion of currency circulation during the period from January to November 1948 was 135%, as against 178% in the same period of the previous year. A drastic expansion in the second half of the year and an abnormal contraction or a slight increase in the first half of the year was noted. The contraction of note circulation in January and February, particularly the large contraction by 2,729 million yen in February, was the immediate effect of forced tax collection. The increase by 3,455 million yen registered in March may be regarded as the usual increase in the demand for funds at the fiscal year-end. The slight increase in April and May was mainly due to the delay in the compilation of the national budget and the consequent reduction of government disbursements. Taking the month of June, when the national budget took shape as a turning point, the tendency towards an expansion in note circulation became conspicuous, there being an increase of more than 10 billion every month, excepting June and September. An increase in government payments was mainly responsible for this expansion, which also reflected the unfavourable conditions brought about by the periodical readjustment of tax collection. As regards the year-

end expansion of the note circulation the usual requirements of funds are due to necessary government disbursements for the rice delivery and year-end payments of salaries and allowances. Rice delivery in 1948 having been favourable, year-end currency expansion through a large increase of government payments will be inevitable.

Monetary Situation. The slackening in currency expansion brought about a scarcity of funds in financial circles. Deposits of banks and of the Central Bank of Agriculture and Forestry remained stationary or showed a decline at the beginning of the year. The decrease in deposits of the Central Bank was conspicuous, as the seasonal demand for funds for the purchase of manure, etc.

Bank deposits turned to increase from May, 1948. The shortage of funds in the industrial world was intensified by tax collection followed by stricter loan control. Non-priority industries were particularly affected by this shortage.

Corrective measure to cope with this shortage of funds were taken by the Bank of Japan and city banks, firstly, through an advance in money rates. Secondly, an effort was made for the normalization of credit transactions which resulted in an increase of the total of cleared bills as well as of loans mediated by the Bank of Japan. Comparing the second quarter of this year with the corresponding period of last year, an increase of 121% in the number of bills and of 362% in total value, was registered in the bank clearings. Loans mediated by the Bank of Japan in September were six times the amount registered in January. Thirdly, a savings campaign gradually yielded favourable results. Fourthly, various plans for the disposal of inflation have been materialized by the ESB and the Bank of Japan.

Interlocking with the aforesaid movements, the long delayed reconstruction and readjustment of financial institutions has been completed. With government compensation for loans extended to munition companies during the war brought to a close in August, 1946, financial institutions suffered heavy losses. After many complications, a final plan for disposing of these losses was at last approved by the authorities on August 15th. A program invoking an increase of capital was approved on August 24th, and finally, on October 1st, the banks which had been reconstructed with new capital were opened to business. The total capital of 60 banks which have completed the capital increase amounted to 11.3 billion yen (a net increase of 11 billion yen). Frozen deposits amounting to 10.1 billion yen or 62% of the total deposits of all banks were written off.

(4) SECURITY MARKET

It is self-evident that the accumulation of individual funds is an essential factor in post-war economic reconstruction. After the conclusion of hostilities, the Japanese security market fell into a chaotic state, reflecting post-war economic uncertainty regarding future development of industries. With the passage of time, its proper mission particularly the responsibility devolving on it in economic reconstruction, have

come to be recognized by the public. In this sense, 1948, was an epoch-making year for the post-war security market.

The Ministry of Finance promulgated, on March 28th last year, the Security Transaction Law, as the legal basis for the reconstruction of the market. This law was revised on April 13th under article 15 of which trust companies and other financial institutions are prohibited from carrying on security business. This prohibition combined with the abolition, on April 7th, of the Temporary Funds Adjustment Law, doubled the responsibility of the security companies.

The slump after May in the security market, which had shown abnormal activity in the earlier months of the year due mainly to the large SCLC release of shares and abundance of shares issued for capital increase, combined with the general money stringency, made a reinvestigation of security financing desirable. Authorities decided on a revision of securities financing policy, announced on June 25th by the Ministry of Finance and the Bank of Japan.

Market Conditions. Brisk activity developed, for the first time since the war in the country's security market, toward the end of 1947, and after reaching the peak in March and April 1948, gradually fell off, and except for a passing rally in July, the general situation continued dull on account of the monetary stringency in general, combined with the increasing release of shares and the new issue of shares for capital increase. A rally took place after October, and on November 1st, transactions reached a total of 1,700,000 shares, attributable to alleviations under the deconcentration of excessive economic power law, the private monopoly prohibition law, and the closed institutions law, following the change of American policy toward Japan, the stimulation given by the general home situation, such as the formation of the Yoshida Cabinet in the middle of October and the conclusion of the calls on shares for capital increase. Although quotations were not as high as during the boom at the beginning of the year, there was a sharp increase in the volume of transactions, indicating a sound sentiment. So long as the general monetary stringency continues, the relation between the supply of shares and the people's investing power will be the main factor in controlling the market.

According to the Tokyo stock price index, the general index for October registered an increase of 58.6% over January and 117.9% against November 1947, but was still lower than March and April 1948.

New Capital Increase and Released Shares. What brought heavy pressure upon the security market, in addition to the monetary stringency, was the release of shares held by SCLC and the successive calls on shares for the increase of capital. The total value of shares to be released to the market is estimated to be 55,000 to 65,000 million yen. The number of the shares actually sold, including bids and sales through SCLC, sales to the public and to employees, attained 79.7% of the

total number of shares offered to the market in April. The ratio of sales has declined and registered 43.1% in July, 54.7% in August and 67.8% in September.

Shares actually sold up to the end of October totalled 46,654,000 of a value of 3,136 million yen. When these figures are compared with the 113 million yen registered at the end of 1947, it will be recognized that the disposal of the shares finally materialized in 1948. The disposal rate as of the end October to the accumulated total of released shares was 62%.

In addition, the market was much influenced by the calls on shares for increase of capital and the collection of unpaid capital, the combined total of which was between 400 million and 700 million yen each month from February to May, reaching to 1,787 million yen in June, 1,955 in July, 3,679 in August, and further to 9,153 million in September, which aggravated the market situation. Since August, these payments have decreased and the oppressive effect they had upon the market has been mitigated. By the revision of the private monopoly prohibition law and the alleviation in the partition of enterprises under the deconcentration law, the oppressive influence on the market through the excess supply of shares has decreased.

Provisions regarding the notification of subscriptions and sale of securities provided in the Securities Control Law were enforced as from July 6th. The number of such notifications received up to the end of October was 817, representing 21,789 million yen in value of increased capital, excluding cases of less than one million yen and limited partnership companies. Of the capital increases recorded those of financial institutions were large, amounting to 13,119 million yen. In connection with calls on capital, assignments to old shareholders accounted for 79% of the total, employees and relatives 14% and to the public 7%.

Issue Market. The issue market during progressive inflation is in a difficult situation. To cope with the market inactivity, an epoch-making revision in the yield of company debentures was made on January 22nd, by which the rate was raised from 7% to 9%, and term shortened from 7 years to 3 years. The yield on bank debentures was advanced in February, but in spite of this revision, the issue market failed to respond.

At the end of August, the yield of new company debentures was raised from 9% to 10% with the object of promoting the absorption of new loans. This had a revitalizing effect on the market and direct investments began to increase. Since October, the increase of agricultural funds, mainly receipts for the value of rice delivered, contributed to the sale of company debentures. In particular, the complete transfer of debenture underwriting to the hands of security companies on November 7th, offered an opportunity for direct investment as well as the democratization of company debentures.

(5) LABOUR

The number of employed persons at the end of September, 1948 totalled

25,240,000, the increase on last year's figures of about 6,400,000 being attributable to the increase of employment in commerce. The volume of employment in agriculture and forestry was effected by seasonal influences and in the between-season decreased by 3,000,000 as compared with normal condition of employment. The demand for labour in manufacturing industries underwent a seasonal variation, but compared with the previous year, the figure in September recorded a decrease of about 1,600,000 due to restrictions on new entrants. The advance in commerce was significant, the increase being about 720,000 due to the reopening of business consolidated during the war and returns from overseas.

In 1947, the number of unemployed was under-estimated at 658,000. An examination of the standard of employment indicates that unemployed persons were greater than the estimated figure. Later unemployed showed a tendency to decline, the figure in August being only 160,000.

The average wage per day for male and female workers recorded 93 times and 143 times respectively higher than the average level in 1935 in the manufacturing industries. The rate of advance was pronounced for male workers in the printing and bookbinding industries, and for females, in the ceramic, earthen ware and stone industries. The average wage per day in the chain-making industry (328.03 yen for males and 182.66 for females) showed the highest level and the silk-reeling industry (114.94 yen for males and 69.48 for females) the lowest. In all industries, the highest level was 351.33 yen per day for underground male miners.

The monthly average cash wage in September totalled 5,975 yen of which the regular cash payment was 5,360, special allowance 481 and payment in kind 134 yen. The cash wage during the January-August period advanced 1.87 times in manufacturing industries and 1.81 times in mining and transportation.

The rate of those at work for more than 80 hours to the total declined from 8% in July, 1947 to 4% in 1948. The rate of the employed working 35 to 48 hours advanced from 26% to 32% during the same period. The weekly average working hours in manufacturing industries was about 50 hours. By industries in Osaka, 8.9 working hours per day in textile and bookbinding industries was the highest, and 7.6 hours in chemicals the lowest, while 26.0 monthly working days in food processing was the highest. The working hours and days in small and medium enterprises was, in general, below the standard level. In comparison with conditions during the war, attendance greatly improved by the shortening of working hours following the enforcement of the Labour Standard Law and the increase of paid holidays.

The organization of labour unions after the war showed advance, increasing to 33,900 with a membership of 6,534,000 by the end of June, 1948. In comparison with the end of 1946, the number of unions increased by 18,863 and membership by 1,685,000. The decrease from 224 to 193 in the number

of the members per union during the same period shows a gradual spread of union activities to small and medium scale enterprises.

Labour disputes centered on an increase of wages under pressure of currency inflation, and opposition to dismissals in connection with administrative adjustment or rationalization of enterprises.

(6) INDUSTRIAL PRODUCTION

The production plan for the mining and manufacturing industries stressed the importance for an advance of basic materials, such as iron and steel, cotton yarn etc. with a view to increasing by 30 to 40% industrial production in general.

The level of production until March exceeded the highest record of the previous year, and although continuing to advance the tempo slowed down later. However, the September production level jumped to 69.0% of the average for 1933-35. The main factors responsible for this activity were the increase in coal allotment and power distribution, and the favourable situation of transportation. Although output of coal for the first half of fiscal year 1948 was 16,110,000 tons or 96% of that planned, an increase of 24.4% was realized compared with the corresponding period of last year. The coal allotment increased by 34% compared with the previous year, due to the advance of production and the favourable imports of coking and bituminous coal.

Power generation continued favourable except in the dry season, actual figures during the period from April to September being 16,946 million kwh. or 106% of the planned supply. Although the increase of power generation was only 3% in comparison with the previous year, the allotment of power to the mining and manufacturing industries was increased by 5.5%, the percentage to the total advancing to 47.9% from 45.6% of last year.

Railway freight traffic continued favourable, the transport volume increasing by 10% on the monthly average, as compared with the previous year.

Besides these basic industries, the advance was most pronounced in the iron and steel industry. The production index (1935-37=100) advanced to 30.7 in September or about 2 or 3 times the January figure. The production of pig iron during the first half of the fiscal year 1948 amounted to 414,200 tons and rolled steel 511,300 tons, showing an increase of 32% and 97% respectively as compared with the corresponding period of the previous year. This favourable development was mainly brought about by the smooth imports of materials, such as iron ore, coking coal. Next to iron and steel, advance was witnessed in the machinery industry, the production index advancing to 105.6 or more than twice that of the previous year. This activity was brought about by the larger production of sewing-machines, radio-sets, vacuum tubes, electric bulbs and cameras for export. The production of machine tools and machinery for industrial use was rather inactive. The advance in the chemical industry was significant, the index in September recovering to 49.1, mainly

due to the increase in output of sulphate of lime and also to some extent to the activity in soda production. Mining production showed a decline or stagnant development, and the textile industry also was inactive except rayon yarn and staple yarn, reflecting the unfavourable condition of raw cotton imports.

On the whole, the development of industrial production during 1948 will be characterized by the activity due to larger imports of materials and the promotion of the export industries. The advance in the production of iron and steel, and chemicals, as well as the activity in machinery and ceramics for export is significant.

In contrast to the big recovery of the machinery industry over the average level for 1933-35, textiles which have occupied a prominent position in the export trade, were stagnant. In comparison with the favourable development of the machinery industry, the recovery tempo of fuel and power was somewhat low. As regards coal, stress is being put on an advance of quality as well as quantity, and the importance of iron and steel and the export industries is being emphasized.

(1) Fuel and Power

Coal mining is irrationally managed and shows defects. Rationalization has been carried out to some extent following the Emergency Measures for Increased Coal Production (Oct. 1947), the enactment of the Temporary Coal Mining State Control Law (Dec. 1947), measures on behalf of mine workers, strict inspection of coal mines, and the permanent establishment of a Special Research Committee. The production target for the fiscal year 1949 was 36 million tons, almost the same level of the actual production in 1935.

Coal output at the beginning of 1948 developed as a result of the measures mentioned above, but during April-May output reached only 91% of the planned volume. From June, production gradually increased, totalling 2,871,400 tons or 103% of the planned figure in September. The production target during the first half of 1948 fiscal year was fixed at 16,855,000 tons, but actual output showed a deficit of 740,000 tons.

In view of the exploitation of new mines, a special bureau was installed in the Coal Board (Mar. 1948) and 18 mines, with prospective annual output of 450,000 tons were designated for exploitation during fiscal year 1948.

The supply of materials for the coal mines which showed a rapid increase from January, 1947, continued favourable during 1948, steel amounting to 140,000 tons (66% increase), iron 33,000 tons (38% increase), timber 11,500,000 koku (22% increase).

The official price of coal, which was fixed at ¥956.08 per ton in July 1947, was left unchanged until June 21st, 1948. As a consequence, the discrepancy between the price and cost of production widened.

The government raised the official price 2.5 fold to ¥2,388 per ton in June. However, actual production costs in July and August, were 2,500 yen and 2,830 yen respectively, the deficit per ton being 200-500 yen. Consequently,

the losses of coal mines, which amounted to about 20 billion yen at the end of June 1948, will continue to increase. The government are endeavouring to improve this unfavourable situation by improved management of coal mines.

Total financial accommodation to coal mines by the government amounted to 38,240 million yen at the end of June 1948. But the government are intending to check these accommodations, and the enterprisers themselves are now realizing the limit in the improvement of management by means of financial accommodation.

Coal mine workers numbered more than 45,000 at the end of October 1948, of which underground miners accounted for less than 60%.

Total distribution of coal during the first of 1948 was 16,884,000 tons, an increase of 4.2 million tons compared with the corresponding period of last year. Priority was given to the basic industries such as transportation, electric power, iron and steel and the chemical industry.

State control of coal mines, which was expected to become effective from April 1948, was delayed. The committee concerning state control was settled in May and 42 mines were designated on June 11th. The management of these mines will become the centre of attention in 1949.

Electric Power

The electric power situation during the period from January to March 1948 was favourable, total generation being 7,068 million kw.h. due to the better rain fall and comparatively smooth supply of coal for thermal power generation. The output during the July-September period showed a favourable turn because of the unusually abundant water conditions. The electric power industry in Japan is influenced by natural conditions.

Coal allotment for thermal power generation during fiscal year 1948 is fixed at 3.65 million tons, an increase of more than 0.8 million compared with last year. The output of thermal power is expected to reach 2800 million kw.h. and aggregate total hydro and thermal power generation is fixed at 33.5 billion kw.h.

Production capacity at the end of March 1948 registered 5.93 million kw. of hydro-power and 2.87 million kw. of thermal power but in the winter dry season, hydro-electric power output declined to only 2.90 million kw. and thermal to 1.3 million kw. Moreover 50% of the electric power plants are superannuated, therefore, repairs and renovation of power plants are essential.

The increase of production capacity in hydro-electric power was 39,000 kw. during the fiscal year 1947, and in 1948 an increase of 55,000 kw. is expected. As to thermal power, the actual increase in 1947 was 276,000 kw. and in 1948 27,000 kw. has been accomplished.

The total expected output in February 1949 will reach 43 million kw., but a deficit of 0.7 million kw. will remain before the total demand is met. The government are endeavouring to promote a production increase, designating 40 plants for this purpose during fiscal year 1948.

Characteristic of post-war electric power consumption: (1) the rapid increase of lamps and heaters for domestic use, (2) and increase of contracts for less than 500 kw., (3) comparative decrease of large scale consumption. The power consumption for domestic use which accounted for 30% of the total demand in fiscal year 1946 (about 10% in pre-war days) decreased to 22% during the first half of fiscal 1948, as a result of severe restriction on domestic consumption, but it is still one of the main causes checking an increase for industrial use. The advance of electric power consumption in small and medium sized enterprises can be attributed to the change of industrial organization after the termination of war and to the shortage of coal.

Consumption by large industries (contracting for more than 500 kw.) covered 57% of total demand during first half of fiscal 1948, reaching 6,798 million kw.h. or an increase of 8% compared with the previous year.

The equilibrium in demand and supply of electric power can only be attained, by (1) an increase of power supply by enlarging production capacity, (2) adequate enforcement of consumption control, (3) raising efficiency of power utilization.

(1) Iron and Steel

Notwithstanding the priority given to the industry as being of foremost importance, the actual ratio of coal allocated to the industry dropped from 12.7% in pre-war days (1936) to 7.8% in 1947. The actual amount also declined to 2,270,000 tons or about 30% of the pre-war level. In addition, owing to the decline in the quality of coal and ore, the consumption of coal per unit of output increased to the extent that the consequent effect of the allocation was nothing like that in pre-war days. A shortage of electric power was experienced in the dry season.

Although iron and steel production in 1947 showed recovery favoured by imports of materials, actual deliveries of rolled steel were only 516,000 tons, of which 96,000 tons or 16.6% of the total were allocated for special uses, so that general industrial demand was restricted. Even in key industries, such as coal mining, transportation and fertilizer, the actual allocation showed a decline as compared with the previous year. Under these circumstances an extension of production equipment was impossible and the allotment was even insufficient to meet the demand for the repair of machinery.

In view of the present situation, the iron and steel production plan for the fiscal year 1948-49 was much increased, that for ordinary pig iron being expected to be about twice as much as in the previous year and ordinary rolled steel 1,200,000 tons. This plan is not adequate to overcome the iron and steel crisis, and was mapped out with a heavy reliance on overseas supplies such as iron ore, coking coal, and heavy oil. The importation of materials is of primary importance for the reconstruction of the industry, though it may not be the only solution. The more the industry develops, the more important will be the conditions on which imports are based.

Looking back on the development of the industry in the first half of fiscal 1948, actual production of rolled steel exceeded the expected figure. If the present situation continues, it will not be difficult to achieve an annual goal of 1,200,000 tons of ordinary rolled steel. The output of ordinary pig iron continued favourable due to the re-starting of four furnaces from April, being approximately 2.6 times larger than in the corresponding period of the previous year.

However, the ratio of actual production to planned volume amounted to only 86% during the period from April to September, partly attributable to the unfavourable condition of imports of overseas materials. Though output of open-hearth ingots also increased month by month, in order to achieve the annual target of 1,500,000 tons more furnaces must be restarted for several months to come. Electric pig iron and electric furnace ingot production exceeded the planned figure because of the favourable conditions of power generation, actual results registering an increase of about 10% compared with the previous year. The output of ordinary rolled steel continued to increase, and attained 100% of the production plan, but out of the 20 items surveyed, 10 did not reach the expected figure. Steel bars, steel plates and steel shapes for various purposes, accounted for 60.6% of the total of rolled steel, or 2.1 to 3.5 times the level of the previous year. Rolled steel production for the second half of fiscal 1948 is estimated at 589,000 tons in expectation of the prospective imports of materials. If the power generation turns favourable, the annual plan for rolled steel will be attained. Actual iron and steel results in October developed as expected. The output of ordinary pig iron which continued to be inactive showed a marked advance due to the favourable condition of imports of materials, registering 78,000 tons or 97% of the planned volume. Iron works other than the Yawata Works which became inactive partly due to labour disputes, exceeded their production plan. The output of rolled steel also maintained the level of September when a post-war peak was registered.

Many obstacles lie in the path of industry. The shortage of scrap iron has become serious, and so long as this problem is not solved, a marked advance in iron and steel production can not be expected in future. A large part of scrap iron supply before the war was covered by imports from the United States, and domestic demand has been met by these importations from overseas. The prohibition of the export of American scrap iron to Japan in October, 1940 inflicted a heavy blow, and it was barely possible to meet the demand for iron and steel production by the collection of scrap iron and economy in consumption. The government investigated scrap iron stocks on August 15th 1948, when stocks amounted to 3,268,000 tons of which 2,380,000 tons were available for use. Up to end of March 1949, 500,000 tons of scrap iron are expected to be used up, so that materials for open-hearth furnaces will become scarce in the near future. Consequently a method for the manufacture

of iron from ore instead of utilizing scrap for the production of steel ingots must be adopted.

The production of rolled steel for the coming fiscal year is estimated at 2,000,000 tons, of which 400,000 tons are to be exported. For this purpose, the renovation of smelting furnaces, coke ovens, open-hearth furnaces, rolling mills and self-generating power plants which have deteriorated due to extreme use during the war will be unavoidable. Funds necessary for these equipments are estimated at over 5,000 million yen.

(3) Mechanical Engineering

Although the engineering industry has not entirely recovered after the war, production of spinning machines, sewing machines, bicycles, cameras, watches, electric bulbs, vacuum tubes, etc. showed a marked advance in 1948. The advance was most pronounced in communication instruments, the production reaching twice the figure of 1936. Production of internal combustion engines for land transportation, electric motors, and mining machines also registered improvement as a result of the enforcement of the priority system, whilst the machine tool industry continued depressed. The present situation of the engineering industry which is characterized by inactivity in machine tools and improved business in several categories of machinery for civilian use, must be considered abnormal from the viewpoint of post-war rehabilitation of the industry. In view of the importance of machinery in the export trade which is expected to amount to 20% of total export value in 1952 in accordance with the 5 years economic rehabilitation plan, the increase of production efficiency and the reduction of production costs through improvement of the present equipment of machine tools will be urgent.

Exports of machinery during the first half of 1948 amounted to 14,765 million yen or 2.5% of the total export value. The inactivity of the export trade is attributed to the high cost of materials and labour, a shortage of fuel and power, and deterioration of equipment. However, the future of the export trade is expected to be prosperous, in view of the increased demand from Asiatic countries, orders for ships from overseas, and larger allotment of steel, coal and other necessary materials. For instance, inquiries for ships by foreign countries number nearly 120, of which 15 were contracted for in 1948. Apart from 2 ships already delivered to Norway, ship-building companies have orders for 3 cargo ships (9,500 tons each) from the Philippines, 2 oil tankers (18,000 tons each) from the United States, 3 cargo ships (9,500 tons each) from France, 1 oil tanker (17,500 tons) and 2 cargo ships (5,170 tons each) from Denmark. In accordance with the trade agreement with Siam, export contracts for rolling stock and construction materials for railways amounting to 7,500,000 dollars have already been concluded.

Machine Tools. Production of machine tools in 1948 continued inactive. The Ministry of Commerce and Industry in May, 1948 decided on a priority system for materials and funds, designating 31 factories.

However, production declined after September when the highest figure of 620 tons was registered, and the production target of 8,000 tons for the fiscal year 1948 will be difficult to attain. The inactivity was due to a shortage of steel and financial difficulties.

Shipbuilding. The number of steel vessels built, including cargo ships, oil tankers, ferry-boats, small-size passenger ships, fishing boats, etc., totalled 915 aggregating 404,820 gross tons during the period from August, 1945 to September, 1948. According to the government 5 years plan, new steel ships to be built during the 5 years from 1948 are estimated at 1 million gross tons, including cargo ships, cargo and passenger ships, oil tankers, etc. Steel allotments for this plan are fixed at 14,000 tons in 1948, 240,000 tons in 1949, 250,000 tons in 1950 and 1951, and 280,000 tons in 1952. After five years, 10% of the annual steel production is to be allocated to the shipbuilding industry.

According to the Strike report, the minimum tonnage of 4 million and 27 dockyards with an annual capacity of 400,000 gross tons will be allowed to Japan. Outstanding vessels at the end of March, 1948 total 1.87 million tons which will be increased to 4 million tons after 7 years. However, it must be considered that 890,000 tons or more than half of the vessels were built during the war and are of low efficiency. In view of the present situation of steel and funds, the future development of the shipbuilding industry will depend on economic assistance of the United States.

Vehicles. Production of railway cars during the period from January to June, of 1948, totalled 16 steam locomotives, 19 electric locomotives, 490 passenger cars and 789 freight cars. In comparison with the previous year, the production of locomotives and passenger cars declined, whilst that of freight cars showed increasing tendency. There was more production of 833 freight cars during the period of April to July of 1948, as against the annual goal 4,450 for the fiscal year 1948. Actual results during the 4 months were smaller than the expected figure of 904, but production after June exceeded the plan, showing the post-war highest peak in July.

The production plan for truck bodies was fixed at 19,400. Actually 3,679 were produced during the first quarter (April—June), but in the second quarter production advanced to 4,241, approaching the planned figure of 4,500. The 5 years plan for the motor-car industry envisages the production of 25,000 of ordinary cars and 21,700 of small-type cars in 1953. Basic measures for the rehabilitation of the motor-car industry are increased production of domestic cars, the expansion of exports, the revision or abolition of official prices, the alleviation of control over distribution, the securing of funds, labour, materials and power, and import of technique from foreign countries.

The production of bicycles was fixed at 176,000 for 1947 and 350,000 for 1948. However, actual production exceeded these figures, totalling over 1 million. Exports during July, 1947 to August,

1948 totalled 31,800 of completed bicycles and parts of 20,417 bicycles.

Electric Machinery and Communication Instruments. The recovery in the production of electric machinery has been most pronounced in electric heaters for household use, electric bulbs and other consumers' goods. The production of producers' goods such as electric motors, transformers, etc. has also shown advance. Production of electric bulbs which was 189,000 in August, 1945, showed advance, reaching 2,930,000 in December, 1946, 6,940,000 in June 1947, and over 10 million in December, 1947. Production continued to advance in 1948, and distribution control was abolished in August, 1948. On the other hand, the production of electric machinery for industry did not recover the pre-war level, due to lack of raw materials and production equipment. Exports of electric machinery were 14.5 million yen, including motors, batteries, turbine parts, electric fans for Korea, China and Hongkong in 1947, and those in the first half of 1948 totalled 6.6 million yen including electric generators, transformers, electric meters and electric fans.

As regards communication instruments, the most marked advance was in production of radio apparatus, vacuum tubes, telephone instruments and apparatus, which exceeded the pre-war level. Output was stimulated by requirements for these instruments by government institutions. The industry is suffering from a lack of elasticity in general demand. Moreover, a shortage of silicon steel sheets which cover only 50% of demand will affect the future development of the industry.

Production of watches totalled 1,578,000 in 1947 produced by over 70 plants, as against 676,000 in 1946. The production goal for 1948 was fixed at 2.5 million, of which 1 million is to be exported. The production of sewing machines already reached the pre-war level, and output in 1948 is planned at 267,000. The production of spinning machines for export showed a marked activity, whilst mining machines developed unfavourably due to a lack of materials, power and funds.

(4) Soda and Chemical Fertilizer

Soda

Production of soda continued inactive after the termination of hostilities owing to the shortage of salt, electric power and coal and the lack of repairs to equipments. The inactivity of the soda industry had an unfavourable effect upon production of rayon, rayon staple, glass, dyestuffs, etc. Production program of soda ash and caustic soda in the fiscal year 1948 was fixed at 150% and 216% (412% by the solvey process, 149% by the electric process) respectively compared with the previous year. Actual results showed an advance of 140% for soda ash, 228% for caustic soda (590% by the solvey process and 157% by electric process) compared with the previous year as at the end of September. When compared with 1930-34, the present level is 63% for soda ash and 115% for caustic soda, though it seems inadequate to take 1930-34 as a basic level for the post-war rehabilitation by the fact that the soda industry had rapidly expand-

ed after 1933. Compared with the 1935-37 level, the present production of soda ash and caustic soda registered only 32% and 34% (solvey process 31%, electric process 52%) of that level respectively. Moreover, the operation rate to the capacity at present is only 17% for soda ash and 15% for caustic soda, in which solvey process account for 10% and electric process 23%.

Production of caustic soda by electric process at the beginning of 1948 was favourable in spite of the winter dry season. After April, the export of 6,520 tons, the favourable turn of the electric power situation and the prior allotment of electric power stimulated production. However, almost all plants have been suffering from frequent stoppages due to the lack of repairs during the war. After June, the unfavourable electric power situation checked any production increase. As the control over bleaching powder, hydrochloric acid, etc. was moderate, the by-product chlorine helped to ameliorate the hardship of manufacturers resulting from the low official prices of caustic soda.

Production by the solvey process advanced rapidly due to the increased allotment of coal, accompanied by the decision to export 10,000 tons during June—Oct., resulting in a shortage of salt in May.

The reopening of the Tokuyama Soda Plant in June further accentuated production, but the 21% decrease of coal allotment during the 3rd quarter of the fiscal year 1948 (Oct.—Dec.), is expected to affect adversely production to a considerable extent.

Salt, the basic raw material of the soda industry, is not a bottleneck in the recent low operation rate, favoured by smooth imports, but the salt problem must be fundamentally solved so as to allow a full development of the soda industry. Imports of salt amounted to 896,000 tons in 1947 (50% of the pre-war peak in 1939), and those in 1948 are estimated to be greater. Salt from overseas areas accounted for 95%. As salt from China, which occupied the greater part of imports in pre-war days, cannot be expected in the near future because of the civil war, salt from distant areas will predominate for industrial use. From this point of view, an increase of ships is desired so as to secure the timely supply of salt and to lower costs. On the other hand, the domestic output of salt, which amounts to only 20% of total supply, must be increased in order to establish a firm foundation for the soda industry.

As to distribution, 35% of the total production of soda ash is used for glass, 33% in the chemical industry, 4% for food processing, and 4% for fertilizers. Of caustic soda, 30% is used for chemical fibre, 20% in other chemical industries, 5.5% for fertilizer, 5% for paper pulp and 4% for sanitary goods.

Chemical Fertilizer

The chemical fertilizer industry has shown remarkable rehabilitation, production during the first half of 1948 exceeding the level of 1930-34, and reaching almost the pre-war peak. The capacity recovered during one year to 70% of the pre-war peak in sulphate of ammonia and superphosphate of lime, and to 113% in calcium cyana-

mide. This remarkable result was due to the increased requirements for the production of food, and the government policy to foster the industry, though this favourable development was made only by a sacrifice of other industries.

At the beginning of 1948, production of nitrogenous fertilizer decreased due to the critical electric power situation, actual output in June amounting to only a half of sulphate of ammonia and to one-third for calcium cyanamide of the production capacity. As a result the government enforced emergency measures regarding raw materials, electric power, transportation, etc. Moreover, the favourable seasonal turn in the electric power situation and transportation accentuated the production increase of fertilizers, especially in April—May. The output of superphosphate of lime declined due to the short supply of pyrites, and the abnormal electric power shortage in the summer, further depressed production. The emergency measures enacted, however, proved effective, production during Jan.—July period reaching 102% (for sulphate of ammonia and superphosphate of lime) and 91% (for calcium cyanamide) of the planned volume.

The production program in the autumn (Aug.—Dec.) was fixed at 140% for nitrogenous fertilizer and 120% for phosphatic fertilizer compared with the corresponding period of last year. In August, phosphate manure reached the post-war peak due to the prior allotment of pyrites, and calcium cyanamide in October. Present bottleneck in fertilizer production no longer lies in outside factors such as electric power, raw materials.

As regards pyrites, although the output increased the shortage of supply occasioned the greatest obstacle in the production of phosphate manure. Pyrite output seems to be of considerable capacity, but transportation facilities could not meet the demand, resulting in the accumulation of stocks at mines. So long as the transportation capacity is not improved, this problem will remain unsettled.

Imports of fertilizers continued favourable, especially large imports of nitrogen of ammonia contributed to the smooth supply of fertilizers during the Jan.—June period. Imports of phosphate rock from Florida as well as coking coal for calcium cyanamide promoted the production. On the other hand, a gradual increase in exports indicates the new character of the chemical fertilizer industry in overcoming the present shortage of fertilizers in Asiatic areas.

(5) Textile Industry

Compared with last year, production in the textile industry in 1948 increased by 13.5% for yarn and 39.3% for tissues. In comparison with the increase of 62% in yarn and 16% in 1946, and of 78% in yarn and 109% in tissues in 1947, the increase in both yarn and tissues fell in the year 1948.

The production of yarn increased 3.1 fold and that of tissues 3.4 fold during 3 years from 1945 on the monthly average, but compared with the pre-war level (average of 1935-37), it is still only 17.7% thereof, while the average production of all the industries in Sep-

tember 1948 amounted to 54.2% of the pre-war output.

The remarkable increase in textile production in 1947 was attributed to the activity in cotton industry due to the satisfactory digestion of imported raw cotton. The production of cotton in the year rose to 2.1 times for yarn and 2.7 times for tissues as much as that in 1946, and held the lead in all textile production, accounting for 10% yarn and 80% tissues. In 1948, however, as a result of the shortage of raw cotton stocks and the uncertainty of import from the beginning of the year, production in the cotton industry was unfavourable, and in comparison with the previous year increased only by 2.4% for cotton yarn and 36.5% for cotton tissues, their ratio to the whole textile production falling to 63% in the former and 78% in the latter. Consequently, in spite of the remarkable increase in the production of chemical fibre yarn, silk and spun silk tissues, the textile production as a whole showed a falling trend.

By the gradual amelioration of the unfavourable factors, such as foodstuffs, labour, fuel and power, sub-materials, financial difficulties and by preferential treatment of textiles as an important export industry and the alleviation in applying the Deconcentration of Economic Power Law, the prospects for the textile industry have increased. However, even after those conditions have been satisfied to some extent, production still depends upon the smooth imports of raw cotton, wool, pulp, hems, etc.

Production. (1) Cotton industry—The output of cotton yarn increased by about 30% from January to April when imports of raw cotton developed favourably. As the import of raw cotton from both India and Egypt for April to June declined to less than 10,000 bales in each month, the output decreased since May and production curtailment was enforced in September. However, due to the import of U.S. cotton by private credit from July, some recovery was witnessed in October in spite of the seasonal shortage of coal and electric power.

As regards cotton tissues, although the output somewhat fell after June because of the decrease of yarn, it recovered after September to more than 50% of that at the beginning of the year. The increase throughout the year was 36.5% of the previous year.

The workable spinning equipment at the end of October amounted to 3,259,000 spindles, an increase of 11.7% compared with previous year, and 81.5% of 4 million spindles, the maximum capacity permitted to Japan.

(2) Silk industry—Due to the favourable trend of exports, the output of raw silk increased satisfactorily every month (June and October excepted), especially in September amounting to more than twice that at the beginning of the year. According to production by denier, the output of raw silk of 14 denier declined, whilst the proportion of 21 denier and special denier increased. This change in production was carried out in order to

meet foreign demands, and partly due to the return of sales, both domestic and foreign, to the former trading system following the close of the controlling organ for purchases (the Raw Silk Industry Association).

Stimulated by the increase of exports, the output of silk tissues, too, as early as May, amounted to twice that at the beginning of the year. Although the output in June and July was reduced to about a quarter owing to damage to the equipments by the Hokuriku earthquake, that damage was not so heavy as was feared, and recovery was very quick, enabling good results to be achieved, which amounted to 2.7 times as much as those of the previous year.

Workable silk reeling equipments amount to 47,000 as of the end of October, an increase of only 4.4% in comparison with the previous year, but exceeding the figure of 45,000 expected in the revised 5-years plan.

(3) Chemical fibres—Although the production of rayon and rayon staple suffered as a result of the shortage of pulp due to rivalry with the paper manufacturing industry in connection with the domestic pulp, imports of cotton (or cotton-liner pulp) from the United States at the beginning of the year, and of rayon pulp from Northern Europe since April as well as the favourable development of coal and caustic soda and the advantageous revision of the prices in August, enabled it to show a remarkable increase month by month. Although the production was restricted by unfavourable fuel and power conditions since October, it still amounted to about twice that at the beginning of the year. As in the case of silk tissues, however, it fell temporarily in June and July due to the Hokuriku earthquake disaster.

The workable equipments for chemical fibers as of the end of October were capable of producing 100 tons per day of rayon and 220 tons of rayon staple or an increase of 45% and 0.5% respectively compared with the previous year. In comparison with the goal of the rehabilitation plan, the present capacity is 43.9% of 228 tons, that is the permitted maximum daily capacity for rayon, and more than 185% of the authorized maximum of 119 tons for rayon staple. Although this inferiority in the ratio of rehabilitation of rayon equipments is partly due to financial difficulties, it is also in a measure attributable to the high technical requirements, which are so necessary in spinning equipments.

(4) Wool, hemp, etc.—Owing to insufficient imports of raw wool, the output of woollen and worsted yarn declined by 12% compared with the previous year. As for hemp, by the increase of imports of raw hemp from China and the Southern areas since June, the output continued to increase month after month, especially during the latter half of the year, amounting to three times the figure at the beginning of the year. The production of spun silk yarn increased after July due to the

imports of waste silk during the latter half of the year, in October amounting to double the output at the beginning of the year, though registering a decline of 44.8% compared with the previous year.

Following the increase in output of raw materials, the production of woollen tissues and hemp tissues showed satisfactory development during the latter half of the year, especially in August and September, though development during the year was relatively dull, showing an increase of 9.7% in the case of woollen tissues and 8.0% in hemp tissues compared with the previous year.

Foreign Trade. (1) Exports—The importance of textile goods in the export trade has become greater year by year since the war. Compared with the previous year, exports during January-August increased to 3.7 times for raw silk, 4 times for silk tissues and 2.4 times for rayon tissues, whilst those of cotton yarn fell off to one third. Exports of cotton tissues remained unchanged.

Though the favourable export of raw silk was partly due to the change of denier, it was attributable to the increased demand in the United States, stimulated by a reduction in prices at the beginning of the year, and to the opening of exports to France by the establishment of a financial agreement between Japan and France. The greater part of the silk tissues was exported to the United States and some went to Europe. As the principal markets for cotton tissues are Asia and Africa, especially the Sterling areas which are suffering from a dollar shortage, exports of cotton tissues were inactive. However, because the 100% pound sterling sale was sanctioned for the above-mentioned areas from July, and the economic recovery fund of the U.S. Economic Cooperation Administration was appropriated to Indonesia as a purchasing fund for cotton tissues, a sign of recovery in exports of cotton tissues began to appear after August. Chemical fibre articles were chiefly sent to China and India, but sales were inactive due to the civil war in the former area and in the latter such articles are regarded as luxuries.

(2) Imports—Textile materials are falling in importance in the import trade year by year. In spite of delays in the importation of raw cotton under private credits, the total volume imported during 8 months of this year showed an increase of 72% in comparison with the previous year, and that of raw wool and hemp amounted to 6.7 times that of the previous year. Cotton linter and rayon pulp were newly imported. However, imports of most of the raw materials for chemical fibres could not meet the quantities necessary for production.

Domestic Consumption. The rationing of clothing in 1948, which began in July, started with a plan of 1.35 pounds per person for 1.82 pounds of the actual results last year. The decline in the rationing was attributed to the

policy of increasing exports. As actual exports were far less than the plan, resulting in the accumulation of stocks, more than 100 million yards of cotton and silk tissues, knitted goods, etc. were released for domestic consumption, (June and September), and in November the plan was raised to 1.82 pounds per person. The released goods were largely distributed to labourers with the object of urging economic reconstruction and to raise the actual wages of labourers. As the official prices of clothing for general use have approached black market prices, there exists a partial surplus of stocks.

(6) TRANSPORTATION

Railway Traffic. The volume of transportation which continued unfavourable owing to seasonal influences, recovered after the spring, the actual volume in May exceeding the 10 million ton level. The freight traffic daily average increased until June, but showed stagnant development in the summer and was adversely affected by the great earthquake in the Hokuriku district, flood damage and labour disputes. A gradual revival set in during autumn, goods traffic in October reaching 11,520,000 tons, a post-war peak. In comparison with the previous year, the traffic volume on the average increased by about 10%. However, in comparison with the transport program, actual results during the period from April to October did not reach 100% even in September and October, when traffic conditions were comparatively favourable, the ratio of actual to planned figures being 91% and 94% respectively. This unfavourable result is attributed to insufficient transport capacity. The annual goal for the fiscal year 1948 was fixed at 130 million tons. Under these circumstances, the control of transport was unavoidable and a priority system favouring the transport of coal, rice and wheat has still been continued.

As regards details of railway goods traffic, the increase in transportation compared with the previous year was brought about by larger shipments of coal which constituted 56% of the total increase. Transportation of coal in October reached 2.81 million tons, the highest record after the war. As a result of priority, traffic other than coal was restricted. Even the traffic volume of rice and wheat during the seven months from April declined by 260,000 tons as compared with the corresponding period of the previous year.

In order to attain the annual goal of 130 million tons, it will be necessary to realize the transport of at least 400,000 tons on a daily average or 12 million tons per month. Despite the increased traffic, freight accumulating at stations continued to increase, the May figure totalling 3,410,000 tons. After June these accumulations showed a tendency to decrease, being 2,450,000 tons in August. As the average volume of goods lying at stations is 3 times the daily traffic capacity, further efforts to improve transportation capacity will be required.

Traffic Conditions. The 10% increase of traffic during 1948 was attributed to the increase of new cars. The number of cars in January 1948 totalled about 90,000 which may be considered sufficient for the volume of traffic. Many superannuated and disabled cars were included in the number and there was always a lack of suitable vehicles. This shortage failed to be supplemented by the production of new cars owing to a lack of materials and funds. The repair of damaged cars was also not favourable, the number of cars requiring repair increasing to 9,986 cars in May 1947. During 1948, some recovery was shown, the number of cars requiring repair decreasing sharply in October to one third of the average of the previous year. Available cars also increased owing to the production of new cars. Freight cars operated increased to 23,464 in October as against 18,043 in January.

Marine Transportation. The average monthly volume of goods shipped by vessels which was 872,000 tons in 1947, exceeded 1,000,000 tons in 1948. The transport volume by steamship in October totalled 1,550,000 tons or twice the monthly average of shipments in the previous year. This activity was due to a more frequent operating ratio and the addition of newly built vessels. The monthly average of coal traffic increased to 688,000 tons in 1948 as against 459,000 tons in 1947.

Marine transportation which was badly hit by the war, showed a gradual revival, vessels numbering 615 of 1,940,000 gross tons on October 1, 1948, of which those utilisable for the transport of freight totalled 582 of 1,727,000 gross tons, registering an increase of 262 and 1,220,000 gross tons in comparison with July 20, 1947. The increase of large steamships is noteworthy. Although transportation by steamship has thus become active, the present level of transportation is below pre-war. The transport volume by motor and sail-driven boats reached 2,500,000 tons monthly average and occupied a predominant position in the shipping of coal, timber, gravel, and fertiliser. However, despite some revival in marine transportation, the volume of hand transportation continues to be of greater importance.

Tokyo Financial Report

The forcible collection of taxes and the prevailing shortage of money in the hands of city banks were clearly reflected in the Bank of Japan accounts in the first ten days of March. As of March 10, the note issue totalled ¥317,884 million, or a decrease of ¥5,064 million compared with 10 days ago. This is because the excess of revenue over expenditure in Government's accounts reached ¥14,011 million due to the exaction of income and other taxes, and, consequently, the Government's deposits increased by ¥9,980 million to the new post-war record of ¥30,027 million. Such remarkable reflux of currency to Government brought about pressure on the money market and city banks were forced to borrow money from the central bank even to settle their accounts payable to Government. Bank of Japan's loans to city banks jumped to the record of ¥77,110 million.

**HONGKONG IMPORTS & EXPORTS OF MERCHANDISE FOR THE FIRST QUARTER
OF 1947, 1948 AND 1949**
(in thousands of Hongkong dollars)

Month	1947		1948		1949							
	Imports	Exports	Imports	Exports	Imports	Exports						
		excess		excess		excess						
		%		%		%						
Jan.	105,406	102,591	2,815	2.74	140,755	113,316	27,439	24.21	159,336	171,817	12,475	7.83
Feb.	82,557	70,993	11,564	16.29	131,243	92,286	38,957	41.13	161,595	135,454	26,141	19.30
March	113,104	95,795	17,309	18.07	170,562	115,037	55,525	48.27	221,714	177,973	44,641	25.21
	301,067	269,379	31,688	11.76	442,560	320,639	121,921	38.02	542,672	484,338	58,307	12.11

Monthly averages for 1947: imports \$129,161; exports \$101,402; import excess 27.758 (27.37%).
Monthly averages for 1948: imports \$173,128; exports \$131,895; import excess 41,233 (31.26%).

Hongkong's Trade for March and for the first Quarter of 1949

TRADE FOR JANUARY TO MARCH

TRADE IN MARCH

COUNTRIES	IMPORTS		EXPORTS		ARTICLES	IMPORTS		EXPORTS	
	1948	1949	1948	1949		1948	1949	1948	1949
	\$	\$	\$	\$		\$	\$	\$	\$
Live animals, chiefly for food	2,886,336	2,461,270	3,300	520	Live animals, chiefly for food	7,000,283	12,385,101	10,193	8,560
Meat and preparations there-					Meat and preparations there-				
of	105,534	560,133	672,583	410,940	of	666,573	4,683,265	3,512,622	3,192,386
Dairy products, eggs and	2,621,723	5,118,298	2,958,624	3,333,649	Dairy products, eggs and	6,312,896	14,292,065	7,123,191	8,947,034
honey	3,543,484	4,640,322	1,762,799	1,815,779	honey	9,705,261	13,831,191	4,199,663	5,800,422
Fishery products, for food	26,942,195	16,484,067	30,218	395,802	Fishery products, for food	40,604,427	29,736,717	281,663	575,793
Cereals					Cereals				
Manufactured products of					Manufactured products of				
cereals, chiefly for human	3,154,541	5,338,931	1,764,896	2,381,867	cereals, chiefly for human	7,439,921	12,301,413	3,455,898	6,884,423
food					food				
Fruits and nuts, except oil-	2,165,856	3,256,648	2,342,011	1,799,815	Fruits and nuts, except oil-	6,485,271	8,697,008	6,342,791	6,366,257
nuts					nuts				
Vegetables, roots and tubers,					Vegetables, roots and tubers,				
chiefly used for human					chiefly used for human				
food and their prepara-					food and their prepara-				
tions, n.e.s.	4,631,873	5,474,926	4,962,079	4,578,340	tions, n.e.s.	13,308,915	12,617,027	17,100,221	13,301,403
Sugar and sugar confection-	6,847,600	1,948,111	1,844,098	997,162	Sugar and sugar confection-	14,352,645	4,836,089	2,938,690	2,585,962
ery					ery				
Coffee, tea, cocoa and pre-	1,407,335	1,761,189	919,768	1,247,993	Coffee, tea, cocoa and pre-	3,612,038	4,817,788	2,741,723	3,944,621
parations thereof; spices	1,283,160	1,480,328	846,712	640,477	parations thereof; spices	2,839,707	3,260,295	1,761,710	2,243,209
Beverages and vinegars					Beverages and vinegars				
Feeding stuffs for animals,					Feeding stuffs for animals,				
n.e.s.	65,615	938,155	32,473	892,269	n.e.s.	77,232	1,806,145	108,662	1,871,304
Tobacco	8,473,197	5,361,935	1,905,811	1,776,762	Tobacco	9,933,830	12,297,423	6,631,612	5,190,310
Oil-seeds, nuts and kernels	783,822	4,145,382	312,888	1,640,145	Oil-seeds, nuts and kernels	2,664,906	4,917,350	1,039,257	5,161,344
Animal and vegetable oils,					Animal and vegetable oils,				
fats, greases and waxes					fats, greases and waxes				
and their manufactures,					and their manufactures,				
n.e.s.	7,068,063	9,644,386	10,553,824	11,972,943	n.e.s.	31,517,946	30,334,693	41,607,683	43,646,288

Chemical elements and compounds: pharmaceutical products				Chemical elements and compounds: pharmaceutical products			
Dyeing, tanning and colouring substances (not including crude materials)	8,215,098	6,674,538	3,470,720	19,607,615	30,082,905	9,751,392	19,047,054
Essential oils, perfumery, cosmetics, soaps and related products	996,070	1,958,677	1,156,074	25,788,283	15,071,125	7,971,386	14,697,370
Fertilisers	1,126,564	26,695	767,525	2,557,560	4,723,049	3,866,805	2,546,728
Rubber and manufactures thereof, n.e.s.	1,007,972	2,650,751	1,135,740	2,138,816	780,746	1,774,151	2,270,162
Wood, cork and manufactures thereof	3,319,664	4,189,838	527,695	4,637,147	7,165,041	3,439,770	8,751,591
Pulp, paper and cardboard	9,149,920	7,160,444	4,830,826	9,047,295	10,833,663	1,528,268	2,352,584
Hides and skins and manufactures thereof	1,251,909	2,219,893	1,560,082	21,494,911	13,891,838	10,465,605	20,925,962
Manufactures of leather, not including articles of clothing	798,241	4,542,239	977,227	3,730,204	5,996,571	4,269,228	3,723,732
Textile materials, raw or simply prepared	10,587,757	18,424,948	15,444,801	119,541	143,053	813,180	1,266,532
Textile fabrics and small wares	432,095	494,428	473,640	3,330,083	10,464,280	4,870,110	19,661,467
Special and technical textile articles	125,650	309,130	98,000	26,744,221	20,924,992	10,828,569	34,589,025
Furs not made up	1,774,219	1,646,907	4,632,131	28,594,983	47,993,887	42,108,593	54,984,790
Clothing and underwear of all materials; hats of	68,675	69,525	1,517,776	1,315,093	1,352,513	813,632	1,419,601
Footwear: boots, shoes and slippers	747,622	3,575,602	2,279,173	4,226,213	4,722,171	11,798,213	18,283,912
Made-up articles of textile clothing other than	15,826,116	9,460,177	8,096,970	66,992	15,645	88,754	350
Products for heating, lighting and power, lubricants and related products, n.e.s.	471,232	1,998,155	803,160	277,886	340,508	3,627,688	4,108,081
Non-metallic minerals, crude or simply prepared, n.e.s.	1,774,232	1,998,155	803,160	3,078,084	6,151,447	5,642,426	12,427,513
Pottery and other clay products	471,905	967,928	505,483	29,037,844	84,186,961	19,722,060	16,459,920
Glass and glassware	639,126	1,262,237	640,325	5,516,960	5,796,539	1,880,507	1,707,456
Manufactures of non-metallic minerals, n.e.s.	301,405	568,791	122,167	1,867,947	2,912,755	1,524,657	2,118,568
Precious metals and precious stones, pearls and articles made of these materials	60,817	2,033,381	129,553	2,938,692	2,335,740	1,563,487	2,634,108
Ores, slag, cinder	3,626,825	6,694,665	1,462,192	804,467	1,257,655	215,958	591,136
Iron and steel	4,485,662	6,892,600	1,311,254	492,673	3,557,400	636,870	1,297,801
Non-ferrous base metals	1,983,895	4,089,601	1,189,610	11,118,708	11,118,708	5,370,210	7,055,974
Manufactures of base metals, n.e.s.	3,054,473	5,872,740	5,800,150	11,902,690	15,517,513	4,374,235	7,955,968
Machinery, apparatus and appliances other than electrical, n.e.s.	6,515,589	6,507,090	852,525	8,152,317	12,254,344	4,037,937	9,744,448
Electrical machinery, apparatus and appliances	1,112,204	5,781,606	1,297,114	8,713,775	15,298,511	15,654,562	30,347,543
Vehicles and transport equipment, n.e.s.	2,597,879	3,068,752	5,791,654	11,288,075	14,937,546	1,550,149	3,130,942
Miscellaneous crude or simply prepared products, n.e.s.	4,093,094	12,243,284	5,057,538	4,902,140	9,923,632	3,000,112	5,373,814
Manufactured articles, n.e.s.	6,413,809	11,544,350	5,643,378	7,902,204	7,570,876	8,066,478	6,711,082
Gold and specie	—	192,699	554,312	9,374,403	23,834,104	14,094,099	30,807,629
Total	170,562,016	221,967,682	116,591,470	18,399,797	30,080,013	16,736,360	29,317,771
				483,019	5,223,388	8,226,633	8,226,633
				441,560,591	543,155,279	825,862,291	487,565,612

Hongkong's Trade for March and for the first Quarter of 1949

Trade in March 1949 valued \$221,714,903 imports, and \$177,073,237 exports. In March 1948 the respective figures were \$170,562,016 and \$115,037,158.

Trade for the period January through March 1949 valued \$542,672,260 imports, and \$484,338,979 exports. In the same period last year imports & exports valued resp. \$442,560,591 and \$320,638,903.

Imports for the first quarter of 1949 were higher than 1947 by 80.25%, and were higher than in 1948 by 22.62%.

Exports for the first quarter of 1949 were higher than in 1947 and in 1948 by respectively 79.80% and 51.05%.

The import excess for the first 3 months of 1949 compared with the import excesses of 1947 and 1948 shows an increase over 1947 by 3%, and a decrease over 1948 by 68%.

March imports were the second highest in the Colony's history (after December 1948 when imports valued \$258.2 million); and March exports were the second highest export figures in the Colony's history (after December 1948 when exports valued \$184.7 m.).

March 1949 imports exceeded Feb. 1949 imports by 37.2%, and March 1948 imports by 30%.

Mar. 1949 exports exceeded Feb. 1949 exports by 30.73%, and March 1948 exports by 53.93%.

Trade figures in March were exceeding earlier expectations; the increase in import and export values is very remarkable. Taking the trade values for the period January to March 1949, the comparative increases over 1948 are striking. There is no sign of a trade recession as far as the volume and value of merchandise is concerned, on the contrary imports still increase regularly while exports boom as never before.

The Colony's import excess for the first quarter is relatively insignificant with \$58.3 million (12.11%); it reflects the return to normalcy in local trading (when only some 10% of total imports were consumed by the population and local industries), the high inventories, the overstocked warehouse position and a cautious policy on the part of importers and dealers.

Comparisons with the trade of Hongkong in pre-war years show the following results:—

During the first quarter of the years 1931-1937 the highest import value was (in millions of pounds sterling) 11.9, the lowest 6.3, the seven-years first quarter average 8.5; the highest export value was 8.8, the lowest 4.9, the seven-years first quarter average 6.6. First quarter total trade (average) for the pre-war 7 years was 15.1. For the first quarter of 1949 the total imports valued (in millions of pound sterling) 33.917, total exports 30.271, imports & exports: 64.188. The increase of imports in Jan./March 1949 over the pre-war first quarter (average) was 299%, and increase of exports this year over pre-war average was 359%. Although there have been estimated advances in wholesale commodity prices of 200% or over in 1949 compared with pre-war averages, the

current trade increase, in sterling values, over the pre-war average is most impressive and indicates, besides somewhat higher imports, a significantly expanded export trade of Hongkong.

There is cause on the part of the merchant community in Hongkong to be very satisfied with the state of commerce as expressed in the trade returns for the first quarter of 1949. Bearing out the progressive advance in Hongkong's entrepot business are the steadily increasing shipping and aviation traffic returns and the clearing-house figures which, for March, established an all-time record.

Trade by Countries

Imports:—for the first three months of 1949 the principal countries of origin were China, the U.S., the U.K., Siam, Japan and Korea. Imports from the Empire comprised 25¼% of total imports. Imports from China valued \$122,948,000 or 22.66% to which must be added at least 80% of imports from Macao (total for Jan./March \$22.2 m. or 4.11%) that is 3.28% of Hongkong's total imports, thus bringing the actual

share of China in Hongkong's import trade to \$140 million or 26%. Remarkable is the big amount of Hongkong's imports from North China, reflecting the success of the barter business with North China and Manchuria, and the astuteness of local merchants in getting trade with North China going without much ado about rules and regulations. By comparison, trade with Central China dropped. It is significant that Hongkong's exports to North China were almost as high as to South China while imports from the North were about 40% of those from the South. China is again coming into the trade picture of Hongkong and has assumed the leading position both in the Colony's imports and exports.

The U.S. followed China as the second largest source of commodities, accounting for 20.41% of total imports. On third and fourth places were the U.K. and Siam with resp. 14.12% and 5.69%. Japan followed next, supplying 4.82% of the Colony's import values.

Korea was Hongkong's sixth important source; from North Korea came goods valued at \$13.4 m. (2.48%), originating to some extent also in Manchuria, and from South Korea came goods at \$9.4 m. (1.74%). Korea's share in Hongkong's import trade rose to

Trade by Countries for March

	IMPORTS		EXPORTS	
	1948	1949	1948	1949
	\$	\$	\$	\$
United Kingdom	16,448,808	29,657,797	8,935,089	15,997,687
Australia	3,189,288	4,804,303	347,786	1,887,011
Canada	2,558,349	2,719,245	882,725	522,302
Ceylon	137,697	177,795	105,743	698,647
East Africa	—	173,839	826,841	1,610,613
India	1,618,640	3,473,504	179,549	3,395,102
Malaya (British)	6,569,017	4,737,921	13,325,683	23,199,810
New Zealand	—	303,282	58,073	202,255
North Borneo	752,260	1,126,806	416,883	693,239
South Africa	1,735,059	1,583,077	786,015	1,257,669
West Africa	—	—	301,358	859,884
West Indies	—	60,390	499,461	339,279
Br. Empire, Other	880,604	1,663,401	812,988	1,061,376
Belgium	4,257,886	1,803,253	2,161,703	657,461
Burma	2,930,274	3,636,747	702,467	64,293
China, North	9,968,813	18,469,892	7,408,094	17,228,773
" Middle	3,943,160	2,914,086	1,753,476	3,998,203
" South	19,919,905	32,721,043	12,062,067	10,269,294
Cuba	—	—	106,212	106,332
Central America	7,750	52,000	251,861	179,459
Denmark	469,721	393,089	23,490	153,361
Egypt	3,566,491	9,163	288,012	314,932
France	862,401	2,996,733	1,577,799	968,027
French Indo-China	1,746,439	1,434,013	1,795,856	1,090,122
Germany	45,490	615,805	—	1,633,956
Holland	793,548	2,310,962	975,048	596,705
Italy	1,618,090	767,430	653,070	556,437
Japan	2,798,848	7,031,627	1,091,696	4,664,823
Korea, South	3,376,340	2,039,613	1,456,275	5,794,314
" North	—	10,338,085	—	3,050,946
Macao	5,102,838	6,248,299	12,141,387	13,207,125
Norway	1,466,892	762,420	2,100	95,345
Neth. East Indies	5,818,841	3,533,148	10,411,841	7,520,736
Philippines	869,013	2,120,461	10,286,453	7,596,526
Portugal	51,352	148,713	7,980	1,725
Siam	22,295,711	19,380,685	13,573,610	18,956,438
South America	8,036	769,144	390,552	564,396
Spain	238,529	46,342	—	80,590
Sweden	2,392,469	1,578,389	233,191	190,039
Switzerland	1,764,970	3,950,421	1,237,512	101,730
U.S.A.	36,006,494	47,360,578	9,419,235	13,161,810
U.S.S.R.	—	—	—	—
Others	4,341,993	3,311,981	2,647,387	12,553,323
Total	170,562,016	221,714,983	115,037,158	177,073,237
Total Br. Empire	33,839,722	49,981,361	22,478,189	61,724,962
Total Foreign	136,722,294	171,733,622	92,558,969	125,348,275

4.22% and the outlook for larger business is very encouraging. After Korea came the following countries, with percentage of total trade in brackets:—Australia (3.24), Switzerland (1.98), Malaya (1.86), Canada (1.83), Burma (1.49), France (1.45), Indonesia (1.32) and Holland (1.14).

Exports:—for the first 3 months of 1949 the principal countries of destination were China, Malaya, Siam, U.K., U.S., Korea and the Philippines. Exports to Empire countries accounted for 26.42% of total exports. Exports to China valued \$67,685,000 (13.98%) to which amount must be added at least 80% of exports to Macao (total for Jan./March \$30.2 m. or 6.24%) that is 5% of total exports from Hongkong, thus bringing the actual share of China in Hongkong's export trade to \$91.7 m. or 19%. China has, once again, assumed the principal position as buyer of Hongkong's goods which was largely due to the expansion of business with North China and Manchuria. As soon as conditions in the Shanghai area are normalised, that is after the new authorities will take over, there is every promise of increased trade as well as industrial rehabilitation in Central

China. Given a short period of peace and an honest administration, China will speedily recover and contribute her share to the progress of all peoples in the Far East, Asia and the world.

Second place in Hongkong's export trade was taken by Malaya which accounted for 10.78% of total export from here. The third to fifth positions were taken by Siam, U.K. and U.S. accounting resp. for 8.91%, 8.84% and 7.75% of total exports.

Korea held sixth place, with exports to the North valued at \$23.2 m. (4.81%), partly for transshipment to Manchuria, and exports to the South at \$13.9 m. (2.87%). Korea's share in Hongkong's export trade thus rose to 7.68% and prospects for further business—as far as the North is concerned on a barter basis—are very encouraging. After Korea came the Philippines with 4.20%, Indonesia with 3.83%, Japan 3.34%, India 2.12%, Germany 1.39% and Australia 1.07%.

Trade Balances:—With the US\$ area, Hongkong had, for the first quarter of 1949, an unfavourable balance of HK\$ 54.5 million (imports from U.S. and Philippines at \$114.3 m., exports to them at \$59.8 m.). With China—including

ing 80% of Macao's trade—Hongkong had, as usual, an unfavourable balance, the Chinese export surplus being 53%.

The most important import excess of Hongkong is with the U.S.—195%, but all the dollars required for payment of U.S. goods come from either overseas Chinese remitters or from Chinese held funds in the U.S. and from mostly China produce export bills. With Canada, the import excess was 651%, with the U.K. 79%, Australia 238%, Burma 286%, France 102%, Belgium 52%, Holland 146%, and Japan 62%.

Hongkong's export excesses are mostly registered in the trade with Far Eastern countries, viz. Malaya (export excess amounting to 420%), Korea (62%, both for North & South), Siam (40%), Indonesia (158%), Philippines (539%), a result of insignificant imports from Philippines), Indochina, and Ceylon, British East Africa, as well as some countries of Europe like Germany (excess 460%, largely a result of the payment basis with Trizonia being on US\$), Italy (63%).

Cost of Living in Hongkong

A wholesale price index has not been computed by Government here since May 1947 which was the last month for which figures were made available to the public. The suspension of this important compilation has never, been explained to the community but it was learned that, there were differences among officials with regard to the accuracy of the index previously compiled. The wholesale commodity price index was based on 1938 at 100, and the index for the first half of 1941 was, for general average, 155. In May 1947, the general average stood at 466. Accordingly, wholesale prices advanced in May 1947 by 366% over 1938 and by 200% over 1941. Cost of living here however had advanced more drastically than was to be gleaned from the index figures. (In our issue of July 2, p. 141, the last wholesale commodity price index was published).

After much prodding Government has now published "Retail Price Index Figures" which may give a clue as to the increase in cost of living here or, conversely, the depreciation of the HK\$. The basis of the index is 100 at January/March 1939. Following are retail price index figures for three periods on the above basis:—

Jan./Mar. Dec. 1947 Dec. 1948

	1939	1947	1948
Food & drink	781	620	657
Rent	200	200	200
Clothing, shoes	517	437	321
Fuel	543	533	549
Education	328	328	328
Cigarettes	291	291	296
Fares	298	298	298
Household equip.	585	530	535

The general retail price index was 609 in Jan./Mar. 1947, in Dec. 1947 it was 503, and in Dec. 1948 it was 522. Thus it would appear that the rise in cost of living as at the end of last year compared with 1939, was 422% higher.

Private sources estimate that this percentage for post-war increased cost of living is corresponding to actual con-

Trade by Countries for January to March

COUNTRIES	IMPORTS		EXPORTS	
	1st quarter 1948	1st quarter 1949	1st quarter 1948	1st quarter 1949
	\$	\$	\$	\$
United Kingdom	49,825,483	76,632,827	18,115,742	42,848,980
Australia	9,868,047	17,581,681	2,951,660	5,188,552
Canada	8,884,284	9,948,584	1,335,474	1,324,477
Ceylon	381,290	420,081	1,191,050	2,473,291
East Africa	458,694	318,906	1,644,948	3,280,680
India	3,873,019	5,927,103	2,022,040	10,252,176
Malaya (Br.)	19,378,530	10,091,805	44,987,591	52,213,372
New Zealand	—	305,405	296,081	419,955
North Borneo	2,557,608	2,613,579	1,293,509	1,763,543
South Africa	2,736,904	2,902,581	1,287,079	2,477,515
West Africa	—	9,350	812,854	1,783,963
West Indies	3,608	60,390	839,764	989,265
Br. Emp., Other	12,067,794	10,225,480	1,721,639	3,087,812
Belgium	14,805,891	3,684,675	3,318,252	2,423,385
Burma	5,796,266	8,106,370	1,302,344	2,099,892
China, North	21,274,613	31,176,247	14,295,476	27,856,927
China, Middle	8,582,947	7,875,712	6,028,140	9,950,168
China, South	58,149,165	83,896,271	25,704,113	29,878,570
Cuba	53,760	8,615	377,282	288,680
C. America	39,354	190,484	547,656	700,480
Denmark	931,709	729,896	183,053	1,349,120
Egypt	5,648,970	9,163	722,299	1,468,313
France	2,399,887	7,960,790	2,974,281	3,911,792
Fr. I. China	5,174,841	3,292,825	4,628,508	4,939,220
Germany	1,633,834	1,246,745	—	6,737,770
Holland	3,193,213	6,160,756	2,144,883	2,518,603
Italy	3,665,411	2,431,116	963,588	3,968,273
Japan	21,540,804	36,128,656	3,871,354	16,178,221
Korea, South	5,759,431	9,438,620	5,653,858	13,895,959
Macao	13,305,646	22,291,752	31,296,997	30,204,121
Norway	2,904,898	1,786,457	312,752	709,153
Neth. E. Indies	7,735,476	7,203,349	25,615,258	18,563,532
Philippines	1,963,029	3,509,246	25,659,596	22,359,284
Portugal	135,874	225,665	7,980	87,265
Siam	87,923,225	30,889,326	33,325,988	43,178,461
S. America	963,588	1,223,814	1,755,433	1,166,429
Spain	374,887	184,104	—	179,896
Sweden	5,058,690	6,683,507	808,677	909,677
Switzerland	8,224,658	10,741,308	5,058,786	238,516
U.S.A.	87,919,564	110,751,503	36,542,342	37,514,755
U.S.S.R.	228,900	22,150	2,785,597	—
Korea, North	—	13,440,613	—	23,292,128
All Other Countries	6,114,920	8,087,058	6,611,987	49,912,818
Total	441,560,591	542,672,260	320,688,903	484,338,979
Total Br. Empire	110,029,265	137,040,672	78,452,381	127,972,581
Total Foreign	331,531,326	405,631,588	242,186,522	356,366,398

Hongkong's Public Finance

HONGKONG REVENUE & EXPENDITURE

Year	Revenue	Expenditure	Surplus	Deficit
1933	\$32,099,278	\$31,122,715	\$ 976,563	—
1934	29,574,286	31,149,156	—	\$1,574,870
1935	28,430,550	28,291,636	138,914	—
1936	30,042,984	29,513,520	529,464	—
1937	33,196,368	32,111,222	1,085,146	—
1939	41,478,052	37,949,116	3,528,936	—
1940/41	70,175,114	64,787,556	5,387,558	—
1941/42	56,786,000	60,642,715	—	3,856,715
1946/47	82,141,556	85,624,391	—	3,482,835
1947/48	164,298,310	127,701,174	36,597,136	—
1948/49	184,000,000	160,000,000	24,000,000	—
1949/50	180,000,000	179,500,000	500,000	—

Notes:—1940/41 was a financial year of 15 months. For 1941/42 only estimates. 1946/47 was a financial year of 11 months. 1948/49 revised estimates. 1949/50 first estimate for current fiscal year.

Actual revenue & expenditure for the fiscal year 1948/49:—

	Revenue	Expenditure
first 6 months of year (Apr./Sept.)	84,941,611	74,732,881
October	18,205,983	12,405,983
November	17,159,283	12,546,289
first 8 months	120,306,889	10,236,911

Actual revenue balance as at November 30, 1948: \$20,069,978 from fiscal 1948/49 account. Revenue balance from previous fiscal year, as at April 1, 1948: \$37,063,396, making a total surplus of \$57,133,374.

The monthly average revenue is running at \$15 million, the monthly average expenditure at \$12½ m. At the end of last fiscal year, i.e. at March 31, 1949, the revenue balance of Hongkong should amount to \$30 million, to which will be added the previous revenue balance (as above) of \$37,063,396, resulting in an estimated surplus at the opening of the current fiscal year (1949/50) of \$67 million.

For the current fiscal year revenue and expenditure, according to the Budget, should amount to \$180 m. and \$179½ m. respectively. Compared with pre-war fiscal returns the current budget figures are excessive. The prewar annual average (1933-39) shows revenue at \$32,470,000 and expenditure at \$31,689,000, yielding an annual average surplus of \$781,000. Such budgeting can be regarded as sound but post-war fiscal policy has resulted in very uneven figures, yielding in 2 years (1947/49), approx. \$67 million revenue balance.

ditions observed. What one HK\$ in 1939 used to buy would now, by and large, require the outlay of \$5.22 or one HK\$ today buys goods and services which pre-war (1939) only cost HK\$ 0.19157 (the purchasing value of the HK\$ as at the end of 1948 has been depreciated by 80.84%).

The increases as per current budget over the pre-war averages amount to 454½% for revenue, and 467% for expenditure. No less than \$75 m. or 42% of total expenditure are to go towards payment of government servants' salaries and various additional emoluments. Public services have not conspicuously improved over the pre-war level and the very high expenditure is therefore not generally approved. An allowance is of course made for the post-war depreciation in the purchasing value of the Hongkong dollar but such percentage can be estimated only around 60 to 70 per cent particularly for the current year when prices in foreign markets have already been reduced and further show a declining tendency. The cost of government here is too high and the community therefore welcomed the recent arrival of a so-called efficiency expert whose duty it will be to recommend the trimming down of the redundant staffs and the employment of more capable and energetic civil servants, from the top to the lowest rungs.

The community can afford to pay duties and taxes as levied at present but there is considerable dissatisfaction among all classes that constitutional reform has been unduly delayed and that the taxpayer still has no representation in the Legislative Council. The allocation of revenue is a matter which should concern the public but unfortunately it is still deprived to voice opinions and to counsel, through elected delegates, as to the disposition of public money. As the business of the community is steadily expanding and duties and taxes bring in ever higher revenue—current revenue being estimated at 11½ million pound sterling—it is expected by the residents of Hongkong that next year's budget will be submitted to an elected representative body for deliberation and eventual passing into law.

HONGKONG'S PUBLIC DEBT

The total public debt of the Colony outstanding at present amounts to \$69,016,000, comprising the following 4 issues:—

(1) 4% Conversion Loan, raised in 1933, redeemable not later than Aug. 1, 1953, with semiannual interest payable on Feb. 1 and Aug. 1, contributions being made to a sinking fund at the rate of 3.45% p.a. The sinking fund is fully invested amount-

ing to £214,839 at Sept. 30, 1948. Interest and sinking fund payments in 1948 amounted to resp. \$193,520 and \$165,521. Outstanding amount: \$4,838,000.

(2) 3½% Dollar Loan, raised in 1934, redeemable by 25 annual drawings not later than June 30, interest payable on Jan. 15 and July 15. In 1948, payment for interest and redemption amounted to resp. \$225,400 and \$560,000. Outstanding amount: \$6,160,000.

(3) 3½% Dollar Loan, raised in 1940, at conditions as above. Interest and redemption payments last year amounted to resp. \$146,000 and \$472,000. Outstanding amount: \$8,018,000.

(4) 3½% Rehabilitation Loan, raised in 1948, authorised at \$150 million (on Jan. 8, 1948 the first loan portion floated as from Dec. 19, 1947 of \$50 million was fully subscribed). Redeemable not earlier than 1973 and not later than 1973. Annual interest payable on Jan. 15 and July 15. First contribution to the sinking fund was made last July 15; the fund is fully invested and amounted last Sept. 30 to £15,625.

The Rehabilitation Loan of \$50 m. was fully expended as at March 31, 1948. Further expenditure under provision of the Loan has been incurred amounting to \$22,428,000 as at Nov. 30, 1948. Payments have been met from the Colony's revenue balance and from so-called floating balances of Government trade account (Dept. Supplies & Distribution), pending the raising of another portion of the unused \$100 million. Government's advances were: \$7,269,913 up to March 31, 1948 and \$15,158,088 up to Nov. 30, 1948. During the first 8 months of fiscal year 1948/49 less than \$1.9 million were expended per average month for public works etc. as allocated under the Rehabilitation Loan.

On the stock market Government Loans usually quote nominal only there being little business in them. Holders are usually trust funds, institutions and conservative investors. Current rates for the 4% Loan is \$102/103, for the three 3½% Loans \$101/102½.

Rope Production in Hongkong

Monthly production of Manila rope in the Colony increased to 420,000 pounds in 1948, compared with 300,000 pounds in 1947. The factor controlling production of rope is the supply of raw fiber from the Philippines. If adequate supplies become available, production during 1949 may increase to 7,000,000 pounds. The only manufacturer here are the H.K. Rope Mfg. Co. Ltd. (established some 67 years ago) which employed by the end of last year 174 workers (of whom 126 men). The production of the company includes life boat falls, flag lines, point lines, driving ropes, drilling cables, hawsers. The firm is British owned and managed.

Hongkong Stock & Share Market

The most important event last week was the local Government ban on gold trading which however came out only after the close of the market. While prices continued on the downgrade there was some improved feeling noticeable as more buying interest was growing, at the same time the throngs of sellers showed unsteadiness. Higher prices for next week are generally expected and the turning point may now have passed. Some capital should also go into the share market after gold forward business has been suspended. Although the gold dealing ban will have some bullish effect on the security market the consensus of opinion of the market as regards the introduction of the prohibition was very unfavourable and critical. Particularly the outlawing of gold possession was criticised as being entirely unnecessary and bound to antagonise the local investing and speculating public.

Stock market turnover during the 5 trading weeks of March (Feb. 25—Apr. 1) amounted to a value of \$8½ million; in Jan. and Feb. turnover values were resp. \$7.3/4 m. and 6 m., thus making a total for the first quarter of 1949 of \$22¼ million.

Volume of Business:—Total sales reported amounted to 68,324 shares of an approximate value of \$1½ million, an increase of \$¼ million compared with the preceding week.

Price Index:—The Felix Ellis averages based on the closing prices of twelve active representative local stocks after hitting a new low of 129.01 closed at 129.44 for a net loss of 1.02 compared with the close of the previous week. Day-by-day his averages were: Apl. 11, 129.71; Apl. 12, 129.01; Apl. 13, 129.07; Apl. 14, 129.44:

	High	Low
1947	155.82	123.88
1948	148.68	134.05
1949	138.37	129.01

Dividends:

The Directors of Union Insurance Society of Canton Ltd., have declared a dividend of £1.10.0 per share.

The Directors of The Dairy Farm, Ice & Cold Storage Co. Ltd., have declared a final dividend of \$2.80 per share, free of tax on old shares and \$2.10 per share, free of tax on new shares.

The Directors of the Peak Tramways Co. Ltd. have declared a dividend of \$2 per share, free of tax on 25,000 fully paid up shares and a dividend of \$1 per share free of tax, on 50,000 \$5 paid up shares.

Business Done:

Banks: H.K. Banks @ 1695, 1683, 1675, 1670, 1680, 1690, 1710; Bank of East Asia @ 134.

Insurance: Cantons @ 345; Unions @ 685, 697½.

Docks & Godowns: North Point Wharves @ 5½, 5¼; H.K. Docks @ 20, 19, 19.80; China Providents @ 14½.

Exchange & Financial Markets

US\$ Market

Highest & lowest rates last week, inside the market, per US\$100:—notes HK\$537½—529, DD 529¼—527½, TT 531½—529¾, equalling crossrates, at the parity, of US\$3.01—3.02 (at the unofficial TT London only US\$2.86). Prior to the ban on gold, which came out on April 14, there was much buying of TT by bullion importers while notes found insistent demand from Japanese goods importers and from Formosa. In the curb market on Good Friday there was much excitement and the gold ban was eagerly discussed with most adverse comment all-round. Rates firmed up to HK\$555 for TT, 550 for DD and 567 for notes. A strong market especially for notes is anticipated as there will be, in addition to strong buying from China, also some hoarding by local residents.

Gold Market

As from the current week the Press is prohibited to publish information about gold transactions. We shall have to abide by this prohibition and cannot, for the time being, continue to publish reports on the local gold market. We must however strongly protest against this suspension of the rights of the Press.

Report for the week April 11—14:—Highest & lowest prices per tael \$323½—316½, crosses US\$ 49—50. Closing price: \$318½. US coins, 20 and 5 dollars, resp. \$275 and \$71/72. Cif Saigon US\$ 47½—48. Gold & Silver Exchange Society settlement rate for outstanding forward contracts: \$320.

Spot market turnover: 24,120 taels (officially 8120, unofficially 16000). Imports from Macao approx. 25,000 taels. Exports over 21,000 taels (to Shanghai 3500, Canton 3000, Formosa 2500, Bangkok 3500, India 3000, Singapore 2500, Saigon 1000, Haiphong 1000).

Forward market here has come to an end with the announcement of the gold ban on April 14 (with effect from April 15). Estimated forward position here was under 200,000 taels with one native bank obliged to settle about 70,000 taels, and a group of Swatow bankers about 25,000 taels.

Hotels & Lands: H.K. Hotels @ 11½, 11.80, 11.70, 12; Lands @ 54; S'hai Lands @ 2.75, 2.70, 2.90.

Utilities: H.K. Tramways @ 16¾, 16½, 16¾, 17; Star Ferries @ 118, 113; China Lights (Old) @ 13, 12¾, 13, 13.10, 13.20 13.40, 13.60 and (New) @ 9, 8.80, 8½, 8.80, 9, 9.10, 9.20, 9.40, 9½, 9.40; H.K. Electric @ 32, 31½, 31, 31¼, 30¾, 31, 31½, 32, 32½; Telephones @ 25.

Stores: Dairy Farm Old @ 35½, 35, 36, 35¾ and New @ 33½, 35, 35¾; Watsons @ 45, 44, 43¾, 43½, 43.60; Wing On @ 100; Yangtze @ 4.

Cottons: Ewos @ 7½, 7.30, 7.20. Rubbers, etc. Companies: Cheng Rubbers @ 25cts.

The local Gold and Silver Exchange will continue business but members are prohibited to conduct gold transactions. Silver and foreign currencies will form the main objects of trading. A seat at the Exchange which was valued at \$40,000 last week has dropped at the beginning of the current week to \$18,000.

The Gold Exchange in Macao which has been doing some business in the past is preparing for extension of facilities. A seat at the Macao Exchange was valued last week at HK\$ 1,000 but now has advanced to \$3,000.

Average prices of gold, per tael, in 1948: \$327½; for first quarter 1949: \$307½ (average cross rate US\$ 49).

Imports: in 1946 into Hongkong, covered by official licence, over 100,000 troy ozs; in 1947, into Hongkong, covered by transit licence for shipment to Macao, 320,000 ozs, and directly into Macao 780,000 ozs, a total for 1947 of 1.1 million oz; in 1948 about 3 million ozs into Macao; in first quarter 1949 (including shipments en route) about 1 million troy ozs into Macao.

(In our issues of Dec. 17, 1947, Feb. 25, 1948 business with China was reviewed. In our issues of March 2, 30, April 13 latest developments in the trade were reported).

Silver Market

As a result of the gold ban, interest in the silver market became accentuated with prices jumping, aided as they were by price advances in China where Chinese dollar coins quoted, in terms of US\$, from 100 to 230% above the silver content price. While the silver content of a Chinese dollar coin would approximate US\$0.53 (vide our issue of Feb. 9, p. 181) last week prices in Chinese cities fluctuated from an equivalent of US\$1.00 to 1.75. In Canton there was some business done, before the Easter holidays, up to HK\$8 per dollar coin (Sun Yat-sen and Yuan Shih-kai) while locally the price came up to \$6. The silver content of such a Chinese coin, calculated at the current New York price of 71½ US cents should be not higher than HK\$2.70.

Last week's silver prices, in HK\$:—per tael in bars or ingots 3.94—4.05, per dollar coin of Hongkong or Mexican mint 2.65—3.65, per 20 cents coins (5 pcs) 2.50—3.60.

Imports came from Macao, Canton and Korea, mostly in scrap bars, exports were almost all shipped to China (mostly dollar and 20 cents coins). Current dealers stock about 130,000 taels. Trading was quiet at first but after the gold ban became excited, with sales on Friday amounting to 60,000 taels. There was made a proposal for the establishment of a silver forward market to accommodate speculators who may no longer play openly in the gold exchange. This proposal is however not serious principally because of the narrow margins in silver business and its complete control by the New York buyers.

Platinum Market

New interest has been evinced in this metal which the Chinese erroneously call "white gold". Prices were very low last week but are bound to rise quickly under present conditions. Imports of plates from Japan last week were about 1,000 taels and they sold between \$390 to 400 per tael. Besides some hoarding of platinum there has been also new interest for exports to the U.S. as a result of the firm and still rising TT New York quotations.

Bank Note Markets

Highest & lowest rates last week (in HK\$):—

	High	Low
Pound notes	15.81	15.70
Austral. pound ..	13.42	13.10
Canadian \$	4.70	4.69
Malayan \$	180.00	179.80
Indian rupee	108.00	107.00
Baht	241.00	241.00
Nica guilder	31.70	31.00
Java guilder ...	31.20	30.80
Piastre	9.80	8.42½
Philippine peso .	260.00	256.50

Bank of England notes had good sales as the local rate is far behind New York where from US\$3.20 to 3 3/4 are paid. There is now little difference here between the pound note price and the official rate for drafts on London.

Piastre business was influenced by several reports which at first depressed the rate; it was stated that the French authorities in Saigon contemplated the withdrawal of the circulation of old notes (printed pre-war and those by the American Bank Note Co.) which approximated 100 to 140 million in Indochina and some 50 million here and in South China. Then it was stated that the piastre/franc parity was to be adjusted from fr. 17 to 12, a depreciation of 29.4% of the piastre. When the gold ban in Hongkong was announced buyers rushed into almost anything and thus brought the price of piastre up to \$9.80.

Macao pataca notes were in great demand, the rate came up to HK\$13.07 per one pataca while in Macao Hongkong notes quoted at a discount of 23½% against the parity. The gold ban in Hongkong was received in Macao at first with disbelief later with strong criticism as regards the Hongkong authorities and then there was much hope that more gold dealing will now be attracted to Macao.

Chinese Currency Markets

Last week's highest & lowest rates:—in Hongkong, per 100,000 yuan, in HK\$: notes 10.30—7.50, TT Shanghai 7.32—4.50, TT Canton 6.80—6. In Shanghai, in yuan:—gold per oz 8 million—3.45 m., US\$ notes 180,000—70,000, HK notes and drafts 36,000—12,500. Gold crosses from 44½—50 (average 47), HK crosses from 520—560 (sterling/US dollar cross dropping to 2.85). Exchange Certificate Clearance rate per US\$ from 55,000 to 110,000 yuan.

Bank of Taiwan rate for "gold" yuan dropped to Taiwan \$0.90; unofficially 0.60.

Silver dollar coins, quoting in different cities at different prices, appreciated and were quoted between equivalents of US\$ 0.75 to 1.70.

Cost of living index in Shanghai: on April 15 fixed at 15,140 (against March 31, when index 3402, an increase of 344%). Basis of index: Aug. 19, 1948: one.

New denomination notes of 50,000 and 100,000 yuan commenced circulation in various Chinese cities but people refuse gradually to accept this scrip. The silver dollar has now become the legal tender and this is recognised by the Nanking and Canton authorities who mint more coins and make payments to part of the army and certain groups of administrative personnel. The Central Bank of China at Shanghai and the present Finance Minister at Nanking have however no power to get treasury and bank assets back from Taiwan, Amoy and Canton which are estimated between US\$ 170 to 200 million worth. The Nanking treasury only keeps the equivalent of US\$ 30 million in gold, silver and foreign currencies while the bulk of the state assets are stored in Taiwan. The Canton military authorities prevented last week an attempt at "smuggling" out of their city a large quantity in silver—the attempt was made by the Central Bank of China and the Finance Minister of Nanking. Later, the Canton military impounded all bullion and foreign currencies still in the vaults of official banks in Kwangtung, to safeguard the people in this province from the chaos which has overtaken Shanghai and Central China. Further indicative of the disintegration of authority in China south of the Yangtse are the successful efforts by various provincial govern-

ments and the military authorities in such regions to establish what amounts to complete autonomy from any central control, be it exercised in Fenghua, Nanking, Canton. Financially, the provinces of Szechuan, Sikang, Yunnan, Kweichow and Kwangtung are already independent of a central authority. These provinces, either singly or in regional cooperation, have introduced a new type of scrip which is replacing the "gold" yuan, and relations with the Central Bank have been practically severed. There is ever more confusion and insecurity in major cities of Central China, industries largely inoperative and unemployment growing into a social menace.

Gold trading by the Central Bank of China is carried on in competition with private banks and brokers. As from this week the import of bullion is duty free but business in foreign currency notes is still, at least in Shanghai, supposed to be banned. Regulations change however from day to day. Gold exchanges operate everywhere, having attained legal status. In Shanghai, a gold futures market has commenced trading, the terms being the same as those in Hongkong—that is before the British authorities, last week, prohibited it. No forced deliveries are to be made and forward prices are about 10% above spot; the daily change over interest is about 50% higher than the commercial interest rate (which moves these days in Shanghai between 15 to 40% per one day of 24 hours).

In Peiping, the People's Bank of China quoted last week per one PB dollar 200 "gold" yuan for the purpose of balancing trade accounts. The unofficial market in Tientsin at the beginning of this week only quoted 350 "gold" yuan per PB\$ 1.

In areas south of the Yangtse many regional Communist led groups have started printing and using their own money, having expelled from their territories the Central Bank of China scrip. In the vicinity of Hongkong, in the East River area of Kwangtung, the Yue Man Bank (People's Wealth Bank) started some time ago to issue its own currency which is accepted wherever the Communist led guerillas hold sway. Last week's exchange rate was HK\$ 1 per 2 yuan of the Yue Man Bank. The Bank states that their notes are redeemable and that the reserves include gold, silver and foreign currencies

HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

	Gold per tael		Silver per tael	Per One Hundred Thousand Chinese Yuan						U.S. Dollar			
				Notes		T.T. Shanghai		T.T. Canton		Note	Draft	T.T. New York	
	High	Low		High	Low	High	Low	High	Low			High	Low
April													
11	323½	320	3.94	9.80	8.80	7.32	5.90	6.80	6.60	5.37	5.28	5.30¼	5.30
12	322½	319½	3.94	9.40	7.50	6.32	6.00	6.60	6.40	5.36	5.29	5.31¼	5.30
13	323½	319¼	3.98	10.30	8.00	5.80	5.35	6.50	6.20	5.36	5.29	5.31½	5.30¼
14	320½	316½	4.05	9.70	8.30	5.20	4.50	6.25	6.00	5.32	5.28	5.31	5.29¼

Report from Formosa

Banknote issue:—Bank of Taiwan official figure of notes issued as at March 16, 1949 was Taiwan yuan 264,802 million, against 241,030 as at February 28, 1949. The increase in two weeks was T. yuan 23,772 million. Early April estimate of note issue was 300 billion. Bank drafts are not included in this estimate. As there is also a shortage in printing press money the Bank of Taiwan resorts, as is the habit in Shanghai, to the issue of cashier orders which circulate among business men in increasing amounts. "Gold" yuan notes formerly also circulated, although this was against the regulations of the Bank of Taiwan; the recent astounding depreciation of the Central Bank of China legal tender has brought about the disappearance of this scrip in Formosa. Hongkong and US notes are also used among merchants and in curb market transactions.

Exchange Markets:—Bank of Taiwan quotes officially gold and foreign exchange rates which are in line with Central Bank of China official rates. These rates are however always behind the actual open market rates in China—usually 20 to 25% below. In Formosa one refers to these transactions, in spite of their designation as open or free market rates in China, as black market. The Taiwan yen is still fixed to the "gold" yuan at an almost daily changing official and black market rate; the official Bank rate follows the black market, there usually being a time lag 4 to 5 days. The people of Formosa have repeatedly demanded the suspension of the link with the scrip of the Central Bank of China but open protests, in view of the terror of the secret service, are not possible.

Gold and foreign currencies as well as drafts on foreign places are negotiated in principal cities, mainly in Taipeh. Most active operators are those from Shanghai usually with high government and military connections. Formosan merchants are however also doing regular foreign exchange business at unofficial rates. Gold is hoarded as there is no other investment possible in a period of currency inflation which, in fact, is nothing else but an attack by the Chinese regime from the mainland to dispossess the people of their savings and of the remnants of their substance. Silver is also hoarded but not in large quantities. Huge quantities of gold have been imported into Formosa mostly by people connected with the Nanking government, the military and the Kuomintang. There are larger government and KMT gold and exchange reserves now in Formosa than in Shanghai, Canton, Amoy. Many Shanghai evacuees have brought with them gold which they sell to cover expenses or to finance their various new enterprises. Thus gold rates have declined from previously 10 to 20% above Hongkong, to at par with or even lower than Hongkong, Canton and Macao quotations. In the first week of April gold prices per tael (same as in South China) were between Taiwan yuan 4.3 to 5.6 million, or in terms of

Hongkong Commercial Markets

Hongkong Imports & Exports of Alcoholic Beverages (all figures in gallons).

During 1948 total imports ex bond of European type liquor were 1,125,428 (against 1,298,944 in 1947) and of Chinese type liquor 311,826 (against 286,113 in the previous year). Of the European liquor imports 71.2% or 801,022 were locally consumed and duty was paid, while 20.4% or 230,214 were re-exported and 8.3% or 93,142 were sold to ships' stores. (1,050 gallons of rum had to be denatured). Largest import ex bond items were: beer 773,779, whisky 94,630, still wine 56,723, brandy 65,674, gin 43,196, port 27,377. Largest re-export items were: beer 91,790, still wine 45,784, whisky 31,324, brandy 23,430, gin 13,496.

Of the Chinese type liquor imported ex bond only 25.7% or 80,134 were locally consumed and duty was paid, while re-exports amounted to 73.2% or 228,298 (denatured liquor 3,454).

Against 1947, last year's liquor re-exports were down by 203,200 for European and up by 28,373 for Chinese type liquors. Local consumption of European type liquor was 1,857 up while Chinese type liquor was lower by 4,156.

Largest locally consumed European type liquor quantities in 1948:—beer 604,906, whisky 57,424, brandy 40,849, gin 24,505, port 22,813, stout 22,428, still wine 9,909, sherry 3,954.

HK\$ from 300 to 320, or in terms of US\$, per troy oz, from 48½-49½. US notes sold from T. yuan 73,000 to 78,000 (with TT about the same or 2% higher). HK notes quoted from T. yuan 13,700 to 15,000, or at a US\$ cross of HK\$520/530.

High Living Costs:—Prices vary greatly from place to place and even within the same locality—a result of inflation. Cost of living is constantly advancing. Official Taiwan government statistics show that, with the index base in 1927 at one, the rise in wholesale commodity prices as at March 31, 1949, was over 30,000. Following are wholesale price indices as at March 31, 1949: Total 30,130, staple food 36,584, clothes 39,316, fuel 29,278, metals 30,388, building materials 35,363. Retail price indices (also based on 1 in 1927):—total 30,196, staple food 33,680, clothes 39,434, fuel 30,862, others 24,843. These official compilations understate the actual rise in prices due to the currency inflation. The continual price raising is alarming for the population but the Shanghai evacuees, comparing it with the chaos from which they escaped, are agreeably surprised. In Shanghai, price increases of 20 to 50% in one day is nothing uncommon. During recent months the price index in Formosa advanced on the average by 20 to 40% per month. The advance in March over February was 35% for wholesale and 34% for retail prices.

Beer Brewery.

The local brewery, purchased by Col. A. Soriano's San Miguel Brewery Inc. of Manila in the beginning of 1948 from the previous owners, Hongkong Brewery (Ruttonjee), commenced selling here in May 1948 and shortly after exported to U.S. territories in the Pacific (Okinawa, Guam etc.) and to other Pacific islands. At present exports are well developing with more demand than the brewery can at present satisfy. The success of the local beer, called San Miguel Pale Pilsen, was established in the face of strong competition of imported beers from every beer brewing country in the world. Soriano's enterprise in Hongkong is expected to flourish further and development of the plant (in the New Territories) is currently promoted. In 1948, investments in the brewery amounted to \$845,000 (the authorised capital of the local firm is \$1 million) which went into renovations, machinery overhaul, erection of new fermentation tanks, 13 storage tanks of 10,000 litres each, installation of new beer filter, cooler, filter-masse washer, new bottling line and equipment of a modern laboratory. Current capacity is 1,000 cases per day (of 8 hours). A new water dam, with a 1 million gallon capacity, and a new filter and treating plant, with a capacity of 6,000 gallons of water per hour, are about to be completed. The brewery also operates an ice plant having a daily capacity production of 15 tons, as well as a distillery.

Soap Manufacture.

Several modernly equipped and highly efficient soap factories are producing here toilet, medical and washing soap which find ever wider overseas markets. Prices are competitive, packing is usually well done and delivery is prompt. Laundry soap prices (per cases of 50 lbs nett, either bars, cubes or cakes) are from \$10 to \$40 per case, depending on the percentage of fatty matter content (20% costs \$15, 50% 31, 65% 38). Medical soap, packed in cases of 144 pcs. of 3½ ozs, cost \$36, and Toilet soap (same packing) \$38 to 39. All prices include delivery fob lighter. There are a number of brands which have gained excellent reputation abroad. Most soap factories here also manufacture other toilet articles and perfumery.

Building Accessories.

The building boom in Hongkong has also brought into being a large number of factories specialising in building accessories such as sanitary ware and plumbing fittings, tiles, hardware and locks etc. Importers of bathroom and other housing accessories are now well stocked supplying the Colony's contractors, building companies, architects etc. with the greatest possible variety of American,

British and other imported articles. Stocks are now carried by most firms in this trade in excess of pre-war quantities. Imports have become, in most accessories, easy and indented cargoes arrive here within 2 to at most 3 months after letters of credits have been established. Supplies from the U.S., although relatively expensive as they have to be paid for at the open market TT New York rate, are easy to order and are, because of more attractive design, usually preferred by the more ambitious house builders.

Purchase of Uranium and Thorium

The British Ministry of Supply offers to buy all uranium ores and concentrates produced in the Colonial Empire during the period of ten years from 1949 at a minimum price of 13s. 9d. per lb. of contained uranium oxide delivered f.o.b. ocean port. This offer is subject only to the reservations that the Ministry does not guarantee to purchase ore or concentrate containing less than ten per cent uranium oxide, nor does it guarantee to purchase lots of less than ten tons ore or concentrate. Ore or concentrate containing less than ten per cent uranium oxide may, however, be purchased on terms to be agreed with the vendor in circumstances where the ore cannot readily be beneficiated overseas to a higher uranium content and where important tonnages are available. The price quoted is a minimum price for small lots. Higher prices may be established by negotiation where costs of production, including any reward payable by operating company to prospector, are shown to be greater. The Ministry will also take into account the presence of other valuable constituents of the ore having regard to the cost recovery. The Ministry would be glad to discuss actual terms with any person operating or about to operate a deposit likely to yield substantially more than the minimum tonnage. Where the concentrates potentially available from a deposit being worked, or proposed to be worked, are adequate to justify the outlay, the Ministry would be willing to provide the capital required for the installation of concentrating plants. As a further incentive to the discovery and exploitation of uranium deposits, the Ministry will consider paying a lump sum in aid of mine development to any person who produces and delivers on the above terms not less than 20 tons of ore or concentrate containing not less than ten per cent uranium oxide from a concession or mining lease situated in the British Colonies and not previously worked for uranium.

No specific offer is made for thorium-containing minerals; but the Ministry will be ready to discuss terms for purchase from any would-be vendor. Persons having ores or concentrates for sale are invited to communicate with the Ministry of Supply, Division of Atomic Energy, Shell Mex House, London, W.C.2.

Exports from Hongkong to the U.S. In 1948

Declared export at the U.S. Consulate, Hongkong, of drugs, herbs, leaves, and roots to the United States through Hongkong during 1948 consisted of the following items: Psyllium husks, 166,995 pounds, valued at US\$10,170; senna, 109,870 pounds, US\$20,808; ginseng, 30 pounds, \$6,844; rhubarb, 23,044 pounds, \$8,036; sandalwood, 293 pounds, \$422; galangal root, 130,116 pounds, \$3,864.

In addition, agar-agar exports to the United States in 1948 totaled 82,702 pounds, valued at US\$130,181.

Exports of medicinal preparations during 1948 included menthol, 15,415 pounds, value, \$127,886, and Chinese medicines, 384,916 pounds (\$480,212).

Exports of gum benzoin in 1948 amounted to 2,003 pounds, valued at US\$3,861.

Declared exports of essential oils during 1948 included the following types: Cassia, 88,000 pounds, valued at US\$118,220; citronella, 45,277 pounds (\$48,115); aniseed, 361,790 pounds (\$231,485); camphor, 86,107 (\$22,589); and ho, 5,036 pounds (\$5,612).

Commodity Markets

Piece Goods.

The continuous arrival of large shipments of Japanese textiles kept the market low; black and white poplin in particular, up against Japanese rayon, fell by about \$1 per piece. On the other hand, shipments of Shanghai piece goods had slackened as little profit could be made out of them at the prevailing prices; stocks were consequently reduced, but prices showed a slight rise as Shanghai makes were in demand by buyers from Siam and Africa. White sheetings Tsin Leung Yuk brand sold at \$40.80 at the beginning of the week, but fell to \$39 per piece; lower quality grey sheetings, though in demand, fell by 20 to 30 cents per piece.

Cotton Yarn.

Throughout the week the yarn market was slow, in spite of strong support from Siamese buyers, due to the lack of demand by local mills with whom business was dull, and the withdrawal of buyers from Africa. The quality mainly favoured was 20's, double horse selling at \$1185 per bale, a rise of \$5, and water moon at \$1160 per bale. Counts of 32 fell in price, and as export permits were short the difference between yarns with export permit and those without was as much as \$30 per bale.

Artificial Silk.

Stocks of artificial silk were reported to be low in Canton as well as in Hongkong, but the expected arrival of supplies from Japan kept prices down, over 60,000 yards being awaited. Japanese No. 120 bridge brand sold at \$4 per lb. for spot, as compared with the previous price of \$4.30. Sales of over 100,000 yards were made to buyers from Singapore and Siam.

Woollen Piece Goods.

Large orders were placed for British woollen piece goods as well as for knitting yarns, a 20 per cent. increase in bookings being shown against last year, one reason being that the British makes were superior in quality to those from other parts. The indented value was around 30/—per yard, whereas the American product with inferior quality was at US\$6. Large orders were also placed for Japanese materials, which have greatly improved in design and quality and in some cases might even be mistaken for British goods.

Woollen Knitting Yarns.

Importers were not much interested in knitting yarns, owing to the losses suffered last year, beehive brand fell to \$10.80, per lb., cuckoo to \$7.20.

Metals.

The control exercised by the Dept. of Supplies & Distribution as regards re-exports of iron and steel and semimanufactured products as well as scrap is not operating to the satisfaction of metal merchants. It is necessary to safeguard the Colony's requirements—mainly for building and manufacturing as well as ship repairs—and to build up and maintain an adequate stock but what quantity is surplus should be freely permitted for re-export. The complaints by the metal trade are many; the S & D Dept. being usually accused of too much red tape and slowness. Some firms, it appears from merchants' reports, are unduly favoured by the S & D Dept., particularly regarding the re-export of scrap. As supplies become easier the iron and steel control here can be relaxed and thus more metal business should be attracted. It is questionable whether the control is serving any useful purpose at the moment; if re-exports are more freely granted the price level would most probably not be pushed up.

Imports of iron and steel materials from Japan have much increased during recent weeks as Japan's industry emerges from the recovery year of 1948 with production potential greatly strengthened. But imports here are not as cheap as they could be; the Japan trade control, Dept. S & D, licenses for import into Hongkong a too small quantity (a licence carrying the benefit of official exchange sale, i.e. US\$1 of the Tokyo two-way trade account at HK\$4.03). Metal importers here must cover their exchange for additional purchases in Japan on the local market where they have to pay a 15% premium over the official selling rate. Thus many local house builders and manufacturers have to pay a higher price for Japanese steel than would be the case if more ample imports at the official rate were permitted.

Lacking permission to export, the market in metals continued dull, with feelings of dissatisfaction on the part of exporters; added to this, the continued lowering of prices in Europe led to a feeling of uncertainty which restrained merchants from placing

orders,—in some instances, for example, there was a cut in prices amounting to as much as 40 per cent. Mild steel plates from Belgium were offered at \$59 per picul for 1/32" and \$55 for 3/32", while 1/4" to 1/2" dropped to \$48 or \$49 per picul owing to large stocks in hand. Galvanized mild steel sheets (thick) found no sale; thin sheets fell to 64 cents per lb. for G24 3x7ft, 75 cents for G26, and 85 cents per lb. for G28. Mild steel bars (square, round, flat, angle, etc.) were inactive; square bars 20" to 22" sold at \$40, round at \$36 or \$37, flat 1/4" and 3/8" were at \$45 to \$47, 1/2" stood at \$50 per picul, angle bars 1/4" to 3/8" rose by \$1 to \$2 per picul. The indented value of French bars had fallen to £34 per ton. Brass sheets (British) rose in price as a result of the indented value of fresh shipments being about 10 per cent. higher than existing stocks. Demands for them came from Canton and Shanghai, but their requirements could not be filled owing to the high prices: 4x8" 1/32" was offered at \$260 per picul (spot), 1/16" at \$255, 3/32" rose to \$250, 1/4" to 1/2" rose to \$210 to \$220; 14x48" G16 stood at \$235 and G18 at \$225. Japanese brass sheets rose to \$185 per picul whereas the indented price was \$180 c.i.f. Hongkong; meeting the requirements of local factories, dealings in these were active. Zinc sheets declined, those from Poland faring worst. Japanese zinc sheets stood at \$114 per picul, Polish zinc sheets fell from \$135 to \$125 per ton, while Belgian sheets improved slightly, being indented at \$130 per ton, but without sales. G4 was offered at \$138 per picul, G5 at \$133, G6 sold at \$131, G7 and G8 stood at \$133. Galvanized wire improved, as exports were permitted: G8 to G12 sold at \$54 per picul, G14 to K16 at \$55 to \$60, G18 to G22 at \$65. Competition was too keen in wire nails for any improvement: Czech wire nails were most in demand standing at \$52.50 per picul and being booked at 72/— per picul for forward delivery, Japanese wire nails were booked at \$51 c.i.f. Hongkong. Wire hoops (British) fell heavily, G1 3/16" falling to \$37 per picul, 1/4" to \$39, 1/2" and 3/8" to \$36. American tinplates rose, but without support from Shanghai and Canton had few sales; 20x28" 200 lbs. stood at \$140 per case, 180 lbs. was offered at \$130. American tin waste, which was mainly dependent upon demands from Siam, became less active, 19x40 standing at \$92 per case (200 lbs.) and other kinds at \$88 (200 lbs.) and \$70, with no signs of improvement; British 200 lbs. were dull, forward delivery being booked at \$102.50 per case while spot cargo was \$104.50.

Chemicals.

The chemical market was very active with anticipated demands from North China and Korea. Sulphate of ammonia golden coin brand sold at \$70 per forward delivery as against \$63 last month, though spot cargo fell from \$57.50 to \$52 per picul, the explanation given being that the drought in the Swatow district for the time

being made farming out of the question. I.C.I. 1 cwt., with the expected arrival of about 16,000 bags in June, stood at \$40.50 per picul for forward delivery; elephant brand, with anticipated early arrival of 10,000 bags, was sold at \$36.50 forward delivery; the Italian product, about 20 tons of which would shortly arrive, sold at \$37 per picul. Over 200 drums of caustic soda had arrived from the United States; the indented value was US\$0.046 per lb., which worked out at HK\$170 per drum of 700 lbs., later bookings, however, had been made at US\$0.04 per lb., which brought the price down to HK\$147 per drum, and a further drop recently to US\$0.35 working out at HK\$128.80 per drum, led to a fall in the local market price to HK\$145. Sodium hydrosulphite was on the upward grade, I.C.I. and Dupont brands being particularly active; the former sold at \$155 per picul 400 to 500 tons having been received. Muriate of ammonia (Belgian) was in demand for makers of electrical batteries and sold at \$585 per ton rising to \$590 with enquiries from Canton buyers; I.C.I. 1 cwt. bag (Australian) was also in demand selling for \$545. Bicarbonate of ammonia 1 cwt. packing (I.C.I.) sold at \$42 per drum. Quebracho extract elephant brand, 1 cwt. bags, was offered at \$78 per bag for forward delivery. Monsanto, 1 lb. tins, was in demand for North China, dealers refusing to sell at \$11.20 although the indented value was around \$10.60.

Cement.

The cement market was on the dull side. No exports of Formosan cement were permitted by the Chinese authorities, who required it for their own purposes: 1 cwt. packing sold at \$6.10 per bag. Japanese cement fell in price, being sold at \$5.10 per bag; Indochina black and red dragon brand also dropped to \$5.70 in price. British "snowcrete" in drums of 375 lbs. sold at the official price of \$55 per drum. Danish 1 cwt. packing rose to \$16.50 per bag. The Green Island Cement Company's "Emeralcete" rapid hardening cement was again on the market at the official price of \$8.30 per bag of 112 lbs. net weight ex-godown.

Paper.

The market for most papers continued low, following large arrivals, with little demand from China. Tissue paper, however, with diminishing stocks rose slightly in price. Cellulose fell to \$57 per ream for most European makes; Belgian 36x39" fetched \$61; the larger sizes rose in price, 40x45" (British) fetching \$92 and 40x52" (British) selling at \$102 per ream. Cigarette paper fell by \$1 a bobbin for 27.5 mm. 6000 m., and from 20 to 50 cent for 29 mm. 6000 m.

Glass.

Demands from Korea and Siam caused a revival of activity in the glass market, though prices kept low as a result of Japanese competition. Japanese 100 sq. ft. 16 oz. sold at

\$30.50 per case; over 300 cases have been shipped to North China, the indented value being \$27.50. A fresh shipment of over 2,000 cases was expected shortly and forward delivery was quoted at \$29.50 per 100 sq. ft.

China Produce.

The vegetable oil market, has been falling for some time, but last week there was a reduction in arrivals, which might bring the slump to its end. Tungoil, which at the beginning of the week was selling at \$103.50 per picul (with permit) and \$101 (without permit) fell to \$100 (with permit) and \$98 (without permit), though dealers were unwilling to dispose of large quantities at these prices, anticipating a rise shortly. Rapeseed oil (with permit) stood at \$104 per picul, without permit sold at \$96. Teased oil 4% acid was offered at \$105 to \$106 per picul. Aniseed star was inactive, the price quoted being \$44 per picul. Sesame seed oil was sold at \$255. Rosin (East River), being in demand by buyers from India, was selling in Canton at \$24.50, on arrival in Hongkong the price would be \$32.50 per picul; large consignments were expected, which prevented much increase in the price. Ramie (Kiangsi province) was sold at \$162 per picul, the Szechuen product was \$170.

Bristles in the New York market were quoted at the following nominal prices: Tientsin No. 55 short (assorted) US\$7.60, Chungking No. 27 US\$3.40, Hankow US\$5.25 per lb. The market was continuing low, and prospects here are discouraging.

Beans and Groundnuts.

Large shipments of soya beans go to the United Kingdom, with Japan coming second. The price f.o.b. Great Britain was 70/—, which works out at HK\$32 odd per picul. About 3,000 tons of soya beans were on offer in Hongkong, the price of which was quoted at \$30.50 per picul. Haiphong green beans, being in demand from Manila were sold at \$51.70 per picul, the cheaper quality selling at \$43. The best quality groundnuts sold at \$78 per picul; stocks amounted to over 2,000 tons, and large shipments were expected from North China. North China peanut oil sold at \$148.

Teak Wood.

Importations of teak wood from Siam were declining, as a result of direct shipments to the United States and Japan and the difficulty of sending shipments into China with the uncertain conditions ruling. Prices were therefore high, a cubic foot selling at \$13 to \$14, while the cost in Siam almost touched that figure.

Feathers.

Large shipments of feathers are going to Europe and Australia. To Great Britain alone over 1,000 bags have recently been despatched, as compared with 300 bags a month in the past. The price in London was \$210 per picul.

NORTH CHINA

Foreign Exchange Regulations

The North China People's Government in Peiping has promulgated foreign exchange regulations which have come into effect as from April 7. The People's Bank of China, being the new state bank, has appointed the Bank of China (which was taken over from the Kuomintang) as the authorised bank handling foreign exchange in China and abroad.

The Bank of China is to quote daily exchange rates for foreign currencies and TT on various countries. Other banks and private persons are not allowed to deal in foreign exchange. Foreign currencies and credits should be deposited in the Bank of China who will buy them at the rate of the day or agree to the purchase of foreign exchange by authorised importers and other people possessing a permit to buy foreign exchange. Exporters may retain their proceeds if such are required to pay for subsequent imports in accordance with the North China trade regulations (vide our issue of March 9, p.297). All foreign currencies or credits deposited in the Bank of China should be sold by holders within 40 days at the officially quoted rates but the Bank has priority purchase right. The Bank of China will sell exchange at the official rate to importers, transportation and insurance companies, travellers, students, and to such persons who have to maintain services abroad (private and business). Travellers and businessmen visiting North China should deposit upon arrival their foreign currencies (if carried on the person) with an office of the Bank of China for later taking out of these currencies from North China; or they should sell such currencies at the Official rate.

The first official rate of the Bank of China, Peiping, was People's Bank \$56½ for HK\$1. The unofficial market quoted around PB\$80 to 90. At the end of last February the unofficial rate was about PB\$45 per HK\$1.

Trade & Shipping

Commercial intercourse with North China is steadily progressing with Hongkong having become the major partner for the time being. Regular ocean communications have been resumed; Tientsin is now connected by British lines (Butterfield & Swire ships, 3 times a month; Jardine ships once to twice a monthly), U.S. line (A.P.L., U.S. Lines Co.) and a number of Chinese and Panamanian ships with America and Hongkong. Charter and tramp ships of large tonnage are increasingly employed in the North China, North Korea and Manchuria trade. More ships will follow the trade. Clearance of ships at Taku Bar (the Tientsin anchorage) is considered fast and efficient by foreign skippers. The North China authorities are anxious to develop trade. Chinese Customs personnel in the North China ports have been commended by foreign traders for their efficiency and good bearing.

Exporters' applications for permits to ship cargo abroad are quickly approved by the trade control authorities: exporters are required to import or sell their proceeds to importers in order to bring into North China commodities from abroad of an equal value. Most exports are liable to pay 7½% ad val. duty. Private exporters usually prefer selling their export bills to established import houses. Importers secure free title to their goods immediately after the Customs have passed them and import duty has been paid.

The authorities in Tientsin have requested that merchants, who have previously redirected commodities originally ordered for North China, now bring these goods into Tientsin. Those merchants who previously re-exported merchandise from Tientsin for fear of war destruction or looting are also requested to bring such cargo back as commodities of almost any type are urgently needed. The return of commodities which were earlier this year stored up in Tientsin godowns is now proceeding and redirected shipments have been again consigned to the port of original destination, i.e. Tientsin.

Train service in Tientsin during March handled 800,000 tons of freight (220% higher than in February).

The Tientsin textile mills are now operating 5 days a week as cotton supplies from the interior arrive regularly. Total operable spindleage of the six state owned mills is 230,000.

Trade of Shanghai in 1948 and first quarter of 1949

According to the Chinese Export-Import Board at Shanghai foreign exchange proceeds from exports originated in the port of Shanghai during 1948 totalled US\$172,210,000. According to Shanghai export regulations, foreign exchange proceeds from exports should be turned in to the Central Bank of China in full, in exchange for national currency at the official exchange rate. China's export trade declined as the yuan depreciated, but after the Exchange Surrender Certificate system became effective in June, it revived for a short period, declining again in October, owing to the price fluctuation caused by the depreciation of the new currency adopted in August. However, after the revival of Foreign Exchange Clearance Certificates in November, exports rose to the year's peak in December.

Shanghai exports during the first quarter of this year, from January 1 to March 26, amounted to US\$31,876,720 including commodities under Government control.

Private exports during the first quarter of 1949:—

Bristles	US\$ 1,863,716
Woodoil	1,861,897
Furs & Skins	1,466,327
Other Vegetable Oils ..	1,708,671
Tea	1,082,921
Straw Hats	692,473
Hog casings	284,566
Feathers	775,143
Metal & Metallic Products	715,497
Woolen & Silk Yarn ..	241,872
Fresh & Preserved Eggs	620,253
Cotton Manufactures ..	1,093,531
Wool & Woolen Products	329,772
Silk Manufactures	772,721
Vegetable & Vegetable	
Products	803,846
Sundries	1,928,062
Total	US\$16,241,278

Government exports:—	
Frozen Eggs	US\$ 1,152,916
Cotton Piece Goods	9,019,189
Cotton Yarn	5,317,210
Mineral Productions	146,128

Total

During the three months under review no sugar was exported.

Shanghai exports this year were the lowest in the port's history, averaging per month only US\$10,625,500 against the low monthly average of 1948 of US\$14,350,000. But even these export results were only possible because of the free American relief supplies of cotton.

Chinese state exports comprised for the first 3 months of this year no less than 49.05% of total exports, cotton yarn and piece goods, amounting to a value of US\$14,336,000 or 44.97% of total exports (official and private), being the principal export commodities of Shanghai. To the state cotton exports must be added private cotton goods exports of US\$1,093,000 or 3.43% of total, thus aggregating for the period Jan./March US\$15,429,000 or 48.40% of total exports of Shanghai. Without the American donated raw cotton Shanghai's exports would have entirely collapsed. Second and third place in the export list this year were taken by bristles and tung oil, each with 5.84% of the total.

Commodity Taxes in Shanghai

The administration and collection of the commodity tax, levied on specified imported articles at the same rates as on domestic items, have again been revised. There have been four postwar revisions of the Commodity Tax Law: August 16, 1946, November 26, 1946, March 21, 1947, and April 2, 1948. Again, on October 1, 1948, certain revisions were made in the April 2 law, particularly with respect to increasing the rates collected on imports of rolled tobacco, foreign wines and beer, cotton yarn, and beverages. At the same time two items—crystal sugar and singed cotton yarn made of artificial cotton—were added to the list of commodities subject to the tax.

At the present time a total of 12 import commodities are subject to the commodity tax, as compared with a total of 14 commodities previously included under prior regulations. Tea and wheat flour were omitted in the April 2 revision of the Commodity Tax Law. Present ad valorem rates applicable to items subject to the commodity tax are as follows:

Roiled tobacco 120, Cured tobacco leaves 30, Foreign-styled wines, liquors, beer 120, Matches 20, Sugar 25, Cotton yarn 10, Woollen yarns and threads 15, Furs (skins) 15, Cement 15, Beverages 30, Tin foils and joss paper 60, Cosmetics 45.

The basis employed by the Chinese Customs for determining the tax-paying value of such goods was the average wholesale prices prevailing over a 3-month period, but with violent fluctuations in exchange rates officials began using much shorter periods of time. At present calculations are made on the basis of the "Customs Yuan" (US\$0.40 at the Central Bank of China rate). For articles of domestic manufacture, the tax is calculated as nearly as possible on the value of goods immediately after completion of the productive process.

The revised law provides not only for exemption from any further levy on import commodities on which the tax has been paid but also for exemption from payment of tax on export goods, shipment of which is directly applied for by the producer or manufacturer. If imported commodities on which the commodity tax has been paid are subsequently reexported, the amount of tax paid is to be refunded. The previous requirement that the exporter pay the tax on goods at the time of export and later apply for a refund caused considerable inconvenience and financial loss because of Chinese money depreciation.

The commodity tax ranks second only to customs duties as a source of revenue for the Chinese Government. Tax collections for the Shanghai area during the year 1948 amounted to US\$31,269,185 at the average black-market rates for conversion. The 1947 commodity-tax collections for the Shanghai area exceeded the 1948 totals by US\$12,000,000. About 70 percent of the total commodity-tax revenue for the country is derived from this area.

Walnut Trade

China produces a surplus quantity of walnuts. From 1931 to 1935 Tientsin exports averaged 93 percent of China's annual shipments of 8,068,853 pounds of walnut kernels. Tientsin exports of walnuts in the shell during the same period averaged 66 percent of China's annual average of 2,717,698 pounds (1 pound of kernels=about 3 pounds of walnuts in the shell in Chinese commercial estimates). The United States was the leading customer, followed by Canada, Australia, and New Zealand. Tsingtao and Shanghai were the only other significant exporting ports. Hankow, before 1925, was an important shipping center, but Shansi production later was more easily shipped to Tientsin.

In 1947, 638,058 pounds of walnut kernels were exported—nearly all from Tientsin. Canada was the destination of more than two-thirds of the exports; the United States took nearly all of the remainder. In the same year, 304,372 pounds of walnuts in the shell were exported, more than half going to Hongkong and over one-quarter to Burma. In the first half of 1948 exports of walnut kernels amounted to 543,664 pounds, nearly all going to Canada. Shelled walnuts totaled only 47,840 pounds.

PHILIPPINE BUDGET

The general budget of the Philippines for the fiscal year ending June 30, 1950 provides for expenditures of 303,000,000 pesos and receipts of 304,000,000 pesos, indicating a slight surplus of 1,000,000 pesos. Public-works expenditures are fixed at a very low figure, in expectation of initiative on the part of the Legislature to authorize additional funds therefore. Moreover, no portion of expenditures to be financed from contemplated borrowings from the Central Bank is shown in the budget. Such borrowing is expected to total 115,000,000 pesos in the calendar year 1949.

Expenditures and receipts for 1949-50:—

	(In millions of pesos)	
	1949-50 (Re- quested)	1948-49 (Au- thorized)
EXPENDITURES		
Education	81.7	122.4
Armed forces	54.3	58.2
Internal security ..	34.1	52.9
Public debt	24.8	42.6
Economic develop- ment	22.9	32.9
Public works	13.1	111.4
Other expenditures ..	71.8	78.2
Total	302.7	498.6
RECEIPTS		
Taxation:		
License, business and occupation taxes	123.0	121.3
Excises on imports ..	63.2	64.0
Income taxes ..	48.0	45.0
Import duties ..	27.8	26.0
Apportioned to lo- cal governments (reduction) ..	-28.2	-24.8
Tax revenue available	272.2	265.0
Other receipts	31.8	127.3
Total	304.0	392.3

License, business, and occupation taxes in 1949-50 include anticipated receipts of 87,000,000 pesos from the sales tax, and excise receipts on imports are expected to accrue almost solely from taxes on imported cigarettes. The unusually high figure for "other" receipts in 1948-49 represented proceeds of sales of United States and Philippine bonds, and the reversion of certain funds certified for expenditure, chiefly on education.

The actual deficit in the 1948 fiscal year and the estimated deficit in 1948-49 were partially offset by carry-over surpluses amounting to 65,000,000 pesos

at the beginning of 1948 and to 20,000,000 pesos at the beginning of 1949.

The general-fund figures exclude gross receipts and expenditures for special funds and Government-owned enterprises. Expenditures and receipts under the former heading are estimated at 100,000,000 pesos and 90,000,000 pesos, respectively, for the fiscal year 1950. Special funds for highways and motor vehicles are expected to comprise three-fourths of the total outlay, and about half of the deficit is to be financed from the general fund. Government enterprises are scheduled to show a surplus of 15,000,000 pesos in 1950, with expenditures estimated at 115,000,000 pesos and receipts at 130,000,000 pesos. It is anticipated that operations of the Manila Railroad, the Cebu cement plant, the Philippine National Bank, the Government-owned sugar refinery, and sweepstakes will comprise about 70 percent of expenditures and receipts under this heading.

SINGAPORE AND MALAYA EXPORT REGULATIONS

Export control in Singapore and Malaya came into force on August 31, 1946, under which licences are required for most commodities and which confer on the control authorities absolute discretion as to the issue of licences.

Import regulations were published in our issue of April 13, pp. 456/57.

Following are the Singapore and Malaya export regulations:—

1. Prohibited exports:

(a) The export of oil commodities under International Agreement and by the U.K. Ministry of Food is prohibited unless—

(i) It is a case of pure transshipment;

(ii) There are special quota arrangements.

(b) The export of all the most essential rehabilitation supplies is also prohibited.

(c) A list of the commodities concerned is given in lists A and C.

2. Restricted reexport:

Certain commodities for which hard currency is granted will still be restricted to a percentage export quota of imports from all sources (but are free to Burma, British Borneo Territories, except as in foregoing paragraph 1). Destinations are limited to territories in South East Asia, except Hongkong. A list of these commodities and quota percentages are given in List B.

3. Free exports:

As a rule the export of commodities not mentioned in this policy is allowed freely. If application for reexport of any commodities for which hard currency is granted tends to be excessive, such commodities will be placed on List B.

4. All goods proved to be transshipment cargo may be reexported.

5. A list of special export rulings is given in List C.

6. The policy regarding the export and re-export of foodstuffs is summarized in List D.

7. List A does not apply to British Borneo Territories.

LIST A—COMMODITIES OTHER THAN FOODSTUFFS—PROHIBITED EXPORT

Acid, boric;
Asphalt and bitumen;
Coal (except locally produced);
Cotton thread (U. K.);
Crochet cotton;
Fertilizers, chemical;
Guano;
Hessian cloth;

x Jute twine;
Newsprint;
Nets, fish (cotton only);
Outboard motors;
Plywood;
Potash caustic;
x Rope, manila;
Soda ash;
Soda, silicate;
Shotguns;
Tallow;
Tin ore and concentrates;
Tin plates;
Tins, kerosene;
Tractors;
Watches;
x Wire, galvanized;
Yarn, cotton.

NOTICE: Commodities marked "x" may be exported to Indonesia in limited quantities.

LIST B—RESTRICTED EXPORTS

Twenty-five percent of imports from all sources, except 50 percent for wire nails:
Coagulants, imported;
Caustic soda;
Cement;
Electrodes;
Paint thinners (other than linseed oil);
Wire nails.

LIST C—SPECIAL RULINGS FOR

Bottles..... (a) Beer and aerated water bottles may be exported by local manufacturers if their own products; otherwise prohibited.
Building materials.. On the merits of each case.
Cars..... As approved by Registrar of Vehicles.
Cement..... 10 percent of monthly imports.
Charcoal..... As recommended by Forestry Officer.
Coal..... Export of locally produced coal only is permitted.
Copra..... Free export from Singapore.
Dhall..... Permitted to British North Borneo, Siam, French Indochina, and Indonesia.
Drums..... Prohibited unless proof given of oil imports. Local manufacturers may export 20 percent of their production in exchange for hard currency or its equivalent; otherwise prohibited.
Firewood..... As approved by Forestry Officer.
Fuel oil..... Siam and Burma against Ministry of Supply allocation.
Gold and silver... Referred to Controller of Foreign Exchange
Gram..... Permitted to British North Borneo, Siam, French Indochina, and Indonesia.
Gunny Bags..... (a) Heavy "Cs" prohibited (new and second-hand).
(b) New: Export permitted to Indonesia, French Indochina, Siam, and British Borneo Territories, against proof of produce imported within the last month.
(c) Second-hand:
(i) To Indonesia, French Indochina, Siam, and British Borneo Territories.
(ii) To Hongkong against quota based on produce imported.
(d) Sago flour bags: Exports free to British Borneo Territories.

Lead and lead scrap. United Kingdom only.
Linseed oil..... Prohibited except to British Borneo Territories in agreed quantities.
Machinery mining.. Other than locally manufactured: Export allowed to Siam and Burma, as approved by Chief Inspector of Mines.
Milk, evaporated... 25 percent of monthly imports.
Machinery (other than locally manufactured)..... On the merits of each case.
Machinery welding.. On the merits of each case.
Motorcycles..... As recommended by Registrar of Vehicles or Commissioner of Road Transport, Federation of Malaya.
Metal (in ingots)... Antimony, copper, brass: 50 tons to any destination.
Military equipment. Prohibited to Indonesia.
Motor vehicles..... Export allowed if recommended by Registrar of Vehicles or Commissioner of Road Transport, Federation of Malaya.
Refrigerators, electrical. 25 percent of monthly imports.
Safes..... On the merits of each case.
Scrap, iron and steel. Export permitted to United Kingdom only.
Soap, household.... (a) British Borneo Territories: Free.
(b) Any other destination
Soda, caustic..... 20 percent of monthly imports.
Soldier..... (a) To any destination if the tin content is not more than 55 percent.
(b) To United Kingdom.
Spare parts..... On the merits of each case.
Steel, constructional. On the merits of each case.
Textiles..... (i) Free to British Borneo Territories.
(ii) Textiles imported from any source may be exported up to 50 percent of import to Burma, Siam, Indonesia, and French Indochina.
Tin ingots..... Referred to Ministry of Supply.
Tires, imported.... (a) Free to British Borneo Territories.
(b) Limited quantities may be exported to other neighboring territories, subject to the prohibition on export of certain sizes which it may be necessary to enforce from time to time.
Typewriters, new... 25 percent of monthly imports.

LIST D—FOODSTUFFS

1. Exports to British Borneo Territories are allowed freely except for the following:

Butter;
Cheese;
Meat (fresh and frozen);
Oils and fats (excluding coconut oil and groundnut oils);
Rice and rice products;
Sugar;
Wheat flour.

2. Unsolicited food parcels may now be sent to any country without restrictions other than those imposed by the postal regulations.

3. Prohibited export (subject to the above):

Bran, rice.
Cooking oils and fats;
Dairy produce;
Fish, fresh;
Flour, wheat, and wheat products;
Groundnuts;
Groundnut oil;

Agricultural Production of Siam

The area of Siam is about 500,000 square kilometers, somewhat smaller than France. The population is about 17,000,000. A large proportion of the inhabitants of Bangkok are immigrants from southern coastal China. These Chinese are predominant in the mercantile, rice milling, and other activities not only in Bangkok but in the towns and villages throughout the Kingdom. In the southernmost three provinces the population is predominantly Mohammedan Malay. On the higher mountains in Northern Siam is a diversity of "hill tribes" non-Siamese in language, customs, and religion. They make clearings on the higher mountain slopes, raising mostly upland rice and opium. Other goods are obtained in exchange for opium.

The chief exports are rice, teak and other timber, tin, rubber, livestock, and hides. The rice exports are of great economic importance to Siam. They do much to fill an urgent need in other countries of Southeast Asia. Fortunately, there is good prospect that Siam's contribution to the world food supplies can be considerably increased.

The principal city and port is Bangkok, a city of nearly a million inhabitants. It stands on the Chao Phya River, about 24 kilometers from its mouth in the Gulf of Siam and about 1,400 kilometers by steamer north of Singapore. Vessels drawing more than about 4 meters cannot cross the bar at the mouth of the river. They work cargo from lighters in the lee of Si Chang Island, about 72 kilometers southeast of Bangkok. Bangkok is the center of an extensive network of meter-gauge state-owned railways which extend to the north, the northeast, southeast into Indo-China, south and southwest of the Gulf. Railway connections with peninsular Siam, Perang, and Singapore were interrupted by bombing during the war. Highways, formerly built only as feeders for the railway, have been greatly extended in the past 15 years. Trunk roads are gradually being extended.

Siam has a warm climate. In the south the temperature seldom falls below 15° C and rarely climbs about 32° C. In the northern valleys farther from the seas and shut in by mountains, temperatures sometimes exceed

38° C in summer and frequently fall to 10° C in winter. The warmest season is between March and May, the time of least cloudiness. For most of Siam the rainy season is between May and September, when southwest winds from the Bay of Bengal and the Gulf of Siam bring in rainbearing clouds. The rain often comes as afternoon squalls. There is often a "break in the rain," a hot, humid, sunshiny, nearly rainless period of some weeks in August. In central and northern Siam very little rain falls between October and April. On the western windward slopes and mountain exposures the rainfall may reach 3,000 mm. annually, but much of Siam receives hardly more than 1,000 mm. and some localities hardly 750 mm. The east side of peninsular Siam is sheltered from the southwest monsoon but receives rain between October and January when northeast trade winds are strong. Occasional typhoons, coming northwest from the South China Sea and bringing heavy, more protracted rainy spells, fade out over eastern and central Siam.

Natural Resources

The natural vegetation reflects strongly the differences in rainfall and soil moisture supply. Pine forests producing turpentine occur on some of the higher mountains of northern Siam. In the northern and northwestern mountains and valleys teak is the most valuable tree of the partially deciduous forests. Along the streams and in lowland regions of high rainfall the tall yang trees grow well. Where the soils are very poor, as in most of the northeastern region, slow-growing hardwood trees predominate. Bamboo thickets are dominant on many stony and rocky slopes in Central Siam. Mangrove forests occupy muddy beaches in protected parts of the seacoast. Brush and low forest grow on much land in regions of shifting cultivation.

The soils of Siam are diverse. Except for very fine sandy and silty soils close along the banks of the larger rivers, the Bangkok plain has heavy dark clays, suited to rice growing. In the environs of Bangkok, however, excellent tropical fruits, vegetables, and sugar cane are produced. These crops can be grown only by digging deep open ditches and using the soil to form raised banks 4 to 6 meters wide. Day after day the banks are cultivated with great care. Organic manures and fertilizers are used. The farmsteads are on the lighter soils close along the river banks of this plain. About the houses are mango and other fruit trees; nearby grow plots of jute, vegetables, and sugar cane. Tobacco and melons are grown in the low-water season, especially on the river banks.

In northern Siam there are valleys with less heavy soils; these are intensively cultivated, with rice as the principal crop. In some places farmers have co-operated in building irrigation

systems which make possible two crops of rice per year, or one of rice followed by one of soybeans or peanuts. In northeastern Siam, often known as the Korat region, the soils are for the most part fine sandy loams, distressingly low in plant nutrients. Much of this region is undulating to rolling, with only occasional hills of quartzitic sandstones and a few shallow lakes. In the valleys and depressions, where more water accumulates by inflow from the adjoining forested slopes during the summer rains, rice is grown. On slight elevations and slopes where the soil are deeper and not so poor, the forests normally grow taller and are quite dense. Commonly, in these forests, patches of half a hectare or so are cut and burned in the dry season. Later they are planted to upland rice, sugar cane, sweet potatoes, hibiscus fiber, cotton, and cassava. However, almost all of the cropped land in the northeastern region is planted to lowland rice. In this region are extensive plains, where the soil is poor and the summer floods rise suddenly. Here cropping is at present impossible; the only natural vegetation is sparse grass. The area acts as a natural flood control. The wide shallow lake which forms during the summer is an important source of fish for the northeastern region.

On the deep red soils formed from dark igneous rocks of the Chantaburi region in southeastern Siam, black and white pepper were formerly produced in considerable quantities. Now, rubber, sugar cane, and fruit have replaced pepper. Fruit is also grown on sandy soils formed from granites and other rocks. Rice, of course, is grown on all the low flat lands on which water can be held. Every Siamese farmer wants to make sure of enough rice for his family, for the next year's seed, and to have some over for his regular merchant. A rice economy rather than a money economy prevails, as with most rural peoples in this part of the world. Coconut palms are grown on well-drained lands, particularly on some of the islands.

Being in the rain shadow of the western border mountains, the northern portion of peninsular Siam is rather dry. Some soils are saline. Rice growing is risky, and too often the crop fails. In this event the farmers go to the forests and make charcoal. Their methods are wasteful and contrast with those of professional charcoal burners. Farther south, where rain is more plentiful, high forests are common on the poor sandy loams and sandy clay loam soils. Hevea rubber does well on the well-drained soils of this region, while rice is grown on most of the plains and in the lower parts of valleys that have not been disastrously disturbed by tin mining.

Areas of fertile soil naturally suited to crops other than rice are limited in extent and widely scattered. The hazards of cotton growing in Siam are numerous. Nevertheless, farmers in the northern and northeastern parts of the Kingdom have long grown considerable quantities of rough, short-staple Asiatic types of cotton. Much of this cotton is ginned,

- Kachang oil;
 - Meat, fresh, frozen, canned, and salted;
 - Milk (except evaporated);
 - Oil cakes;
 - Paddy;
 - Rice;
 - Soybeans;
 - Sugar, coarse and refined;
 - Whisky.
 - 4. Special rulings for restricted exports:
 - Fish (canned) 5 percent of all im-
 - Milk (evaporated) ports to Indonesia,
 - Milk (powdered) Siam, and Burma.
 - Pineapples Export by registered
- packers allowed up to their full production quota.

spun, and woven in the home with primitive devices.

Tobacco is an important crop. The darker, strong types of leaf are grown on the more fertile river banks. The production of Virginia-type bright flue-cured tobacco for occidental-type cigarettes has assumed considerable proportions. For a satisfactory quality of leaf, the soils on which teak grows well are excellent. This, unfortunately, has led to further damage of the dwindling teak forests.

In many parts of Siam brown sugar is made by boiling sugar-cane juice in open pans. Sugar is also obtained by cutting off palm flower buds, collecting and boiling to sugar the sweet juice that exudes from the stump. Coconut palms are the source of the finest sugar of this type. Sugar mills for the production of plantation-white sugar are in operation in several districts. Since large areas of land better suited to sugar cane than to rice are not found in Siam, the main difficulty in sugar-mill operation has been an adequate and continuous supply of freshly cut cane.

Before World War I, Siam exported annually about 40,000 tons of Hevea rubber. This comes almost exclusively from small producers who have been content with the mediocre yields of seedling trees. Much labour is occupied in tin mining and rubber production, so that less is available in peninsular Siam for growing rice.

With Siam dependent upon rice as the main food and export crop, draft cattle and water buffaloes are of the utmost importance to the farm family. Although most of the cattle and buffaloes are raised in the Kingdom, many are imported from western Indo-China. Important movements of cattle are from the north and northeast to the Central Plain. In due course many move on to Bangkok, where they are used for meat or for export. In normal times live animals are exported to Hongkong, Singapore, and Penang. Cattle raising for export has been important on the western side of the peninsula. There appears to be very little movement of cattle northward from the peninsula. Hogs are raised, particularly in the north and northeast. In central Siam, especially in the environs of rice mills, Chinese and in some places Vietnamese are the principal raisers of hogs. In northeastern Siam, hogs are herded for many miles to the main roads and moved by truck to the railheads for sale in Bangkok.

Poultry are commonly raised, nearly every household having a few chickens. These fowls are hardy but small, and the egg yield is low. Imported breeds of fowls have been nearly wiped out by epidemics. Ducks are raised in quantity, both for meat and eggs. Duck manure is highly prized by the market gardeners of Bangkok.

Fish from the rivers, canals, ponds, and the sea are an important feature of the diet. Fish from highway and railway borrow pits and even from the rice fields make up a significant proportion of inland fish consumption. Drying with salt and fermentation of the smaller fish

in fresh water are the two most generally used methods of preservation.

Diet of the People

Agricultural production in Siam is severely hindered by malaria. The Director of Public Health reported that, in 1943, 57,171 deaths out of 297,053 were due to malaria. It is estimated that there are 60 cases of malaria for 1 that is fatal. This gives a total exceeding 3 million cases of malaria in the one year. The incidence of malaria is seasonal. The first epidemic occurs in July, August, and September, and greatly impedes tilling. The second epidemic begins in November and lasts until March, causing delay and loss in harvesting. Field work has to wait if husband, wife, or child are victims of this scourge. There are new ways of fighting the disease. New and effective drugs have been found, but hitherto they have not been available in Siam in sufficient amount. The mosquitoes which enter houses are the ones most likely to transmit the disease. New agents are available for killing them. To be effective, a systematic campaign is necessary. Another method of attack is to build up the resistance of the people. Malnutrition is probably a contributory cause to the high death rate from malaria.

Except in rural areas, machine-milled rice is the chief article of diet. Rice in any form is not a complete food and when milled is largely deprived of thiamine, an important vitamin. Siamese diets are probably deficient in vitamins of the B group, vitamin A, calcium, and to a lesser extent protein. These deficiencies are not overcome by consumption of the necessary supplements. Milk, unfortunately, is not relished, and even children get little of it. Pulses and green leafy vegetables are not readily available; in some cases the family cannot afford to buy them. Fish is an important part of the diet and supplies supplementary protein of high biological value. When fresh, it also provides certain vitamins; many people, however, have to depend mainly on dried fish, which has a low vitamin content.

The rice-milling industry has made little technical progress during the past thirty years. The parts of the rice grain richest in vitamins are removed by milling. Improvements in milling practice are needed to conserve these portions of the grain. Parboiled rice is more nutritious than "raw" rice, but most people in Southeast Asia do not like parboiled rice, which often has an unattractive colour and disagreeable flavour. Modern research has shown that improved techniques can produce milled parboiled rice very similar to milled raw rice in quality. Education will be needed to make the parboiled rice readily acceptable. More pulses and fats are needed to supplement the Siamese diet. These can be produced in Siam, but education will be necessary to persuade the people to accept unfamiliar foods and increase consumption of them. Peanuts are being grown on light soils near Chiangmai and can be grown much more widely. Shrubby, deep-rooted legumes,

green throughout the year, such as *Leucaena glauca*, have nutritious young shoots and pods which are eaten as a vegetable. The flowers and young shoots of *Sesbania grandiflora* are also relished. Such shrubby legumes grow well in many soils in Siam where the occidental types of annual vegetables do not thrive.

REPORTS FROM SIAM

The Thai Cement Co. in Siam is constructing a small plant for the manufacture of reinforcing bars. The company is authorized to mine iron-ore deposits in the Lapburi District. Blast furnaces and other necessary equipment for producing these bars are on order in Belgium, Luxembourg, and Switzerland.

Exports of milled rice from Siam in 1948 totalled 812,226 metric tons as compared with 395,084 tons in 1947. China, Malaya, and India were the principal destinations. Prices were steady throughout 1948, all exports being under Government control and international allocation. Contracts for new-crop shipments were being made at the beginning of February 1949, at the same price scale in effect throughout 1948. This price is £40 per metric ton. It is expected that 1949 will be a good year for Siam's rice trade. Enough rice will be available to ship more than 1,000,000 tons. Shipping will be a limiting factor at times, as large steamers must be loaded from lighters outside the bar at the river mouth. So far, careful coordination of ocean steamers and river craft to get maximum use of the lighter fleet has enabled the Rice Unit to meet its objectives.

INDONESIA

Hongkong's Trade with Indonesia.

Trade between Hongkong and Indonesia has recently shown a drop, exports amounting to HK\$5,915,959 for February 1949 as compared with \$9,811,881 for the same month last year, though imports from Indonesia increased from \$999,720 in 1948 to \$1,159,918 for February 1949. This is attributed by local merchants to the attempt of the Netherlands Government to create a new Indonesian merchant class. Merchants, whether Indonesian or Chinese, who were engaged in the import-export trade before the war, have been permitted to import a quota of goods in proportion to the quantity of their pre-war imports to assist in reviving trade. Before the arrival of the Japanese, however, the Netherlands Government had induced the merchants to import more than the country actually required, the government undertaking to distribute proportionally the imported goods among the traders concerned, allowing them a percentage of profit. This system, it is now understood, will be abolished as from July 1, 1949. As the majority of the traders up to now have been Chinese, this

means that in future they will have to share the import business with merchants of other nationalities; in addition, three conditions have to be complied with before an allocation of exchange is made by a committee appointed by the government composed of three members, one Dutch, one Indonesian, and one Chinese, the conditions being: (a) the type of goods must be approved, (b) the minimum price has to be agreed, (c) the date of delivery has to be fixed. Under the 1948 procedure, samples were submitted to the committee and if approved, merchants could import the goods against their own exchange. Now the position is altered, the Government providing the exchange only when the conditions are complied with, after when the merchants can submit their samples for approval. This, however, should not affect the export trade to any great extent. It seems, however, that even while the old system is in existence, newcomers will be allowed to commence business, especially if they are Indonesians.

Financial & Production Reports

The Foreign Exchange Control Institute has temporarily suspended all allocations of dollar exchange until the dollar position of Indonesia, as a result of the suspension of ECA Financial aid, has been appraised.

The Java Bank, the official bank of issue in Indonesia, was authorised to issue new currency in denominations of 0.50 guilder, 1 guilder, and 2.50 guilders. The expiration date of the Bank's right to issue notes of these denominations is to be determined later.

Price Increases:—Rice prices continue to rise—from 1.30 guilders per kilogram on December 1 to 1.60 guilders on December 30 for milled rice. Consequently, the index figures for 19 food items on the free market in Batavia, which had gradually declined from 1940 in January 1948 (1938=100) to 1032 in September, rose rapidly to 1533 in December. Increases also were noted in other cities throughout the archipelago. Stocks of rice are always low during the 3 or 4 months before the new crop becomes available.

Metals and Minerals:—Crude-petroleum production declined slightly in November to 2,871,043 barrels, bringing the total for the first 11 months of 1948 to 28,292,800 barrels. Refinery production was up slightly to 3,313,405 barrels. Practically all of the petroleum fields are now under Dutch control and most of them repossessed by the owners, so that crude production is expected to show further increases. Some oil fields were found intact so that rapid exploitation is possible. In South Sumatra, several oil fields in Djambi were damaged by oil fires. November exports of 365,099 metric tons valued at 27,069,000 guilders, and imports of 143,644 tons valued at 12,232,000 guilders, were both substantially larger than in the preceding months.

Bauxite production in December amounted to 34,915 metric tons. Monthly exports were 23,274 tons, all of which went to the United States.

Tin production (in terms of tin content) during December was slightly below the November high and amounted to 3,087 metric tons. Exports were also slightly below those of November, amounting to 2,652 tons, of which 1,522 tons went to the United States and 1,129 tons to the Netherlands.

Estate Production:—Rubber exports decreased to 22,609 metric tons in November, primarily as a result of the decline in prices. Estate rubber production in November was up slightly from 11,488 tons in October to 12,073 tons in November.

Copra production reached its highest postwar record in December—40,059 metric tons—representing principally a sharp increase in production in East Indonesia and North Borneo. Exports declined to 16,441 tons in December from 25,860 tons in November, but stocks increased from 39,680 tons to 59,038 tons.

Spice Trade

The Indonesian trade in mace, nutmegs, and cloves was favorable in 1948; trade in cassia remained limited and in vanilla beans was nonexistent. With the reopening of the principal cassia and vanilla-bean producing areas in Sumatra and Java, respectively, supplies will be forthcoming in 1949. Year-end estimates place the total 1948 nutmeg crop on Sanda and Siao at normal, between 2,500 and 3,000 metric tons. The mace crop in these areas was estimated at 700 tons. Nutmegs were selling at a premium in the United States at the end of January 1949, and while prices were declining in the last quarter of 1948, they nevertheless left a fair margin of profit despite the sustained high local first costs. Exports of nutmegs to the United States increased during the last quarter of 1948. Shipments to Singapore also were heavy, those to the Netherlands remained steady. The United Kingdom, Belgium, and Luxembourg reentered the market in September and October.

Total shipments of broken nuts to the United States in the first 11 months of 1948 amounted to 753 metric tons, or 39.3 per cent of total exports of 1,929 tons. Singapore received 424 tons, the Netherlands 636 tons, and the United Kingdom, France, Egypt, and Belgium and Luxembourg small quantities. Exports of unhulled nuts, practically all of which went to Singapore, totaled 459 tons during the same period.

Mace exports during the last few months of 1948 also were heavy, with the United States and Singapore responsible for the increased shipments. United States purchases amounting to 174 tons during the first 11 months of 1948 represented 43.7 per cent of the total 398 tons. The Netherlands took 132 tons, Singapore 36 tons and Sweden a negligible quantity.

With falling prices, exporters were operating on a hand-to-mouth basis. Hence, there was practically no carry-over at the close of last year.

Imports of clover during the first 11 months of 1948 totaled 4,036 metric tons, of which 3,330 tons originated in British East Africa, 227 tons in Singapore and minor quantities in India and Pakistan.

All exports of cassia were sent to the Netherlands which received 473 tons in the first 11 months of 1948.

Indochina Pepper

1,000 tons of black pepper and 234 tons of white pepper valued respectively at 20,545,000 and 6,632,000 piastres were exported during the first 10 months of 1948. American Consular invoices show that 579,282 pounds of black pepper valued at US\$383,930 were exported from Saigon during the past year. This was the largest single export commodity both in weight and value of Indochina to the United States. Almost all the remainder of the black pepper and all of the white pepper went to France and the French Union.

Prices have doubled since June 1948, when the minimum f.o.b. Saigon price for both black and white pepper was 17.30 and 27.50 piastres per kilogram (1 kilogram=2.2046 pounds). By the middle of January 1949 the price for black pepper reached 38.50 and for white pepper 57.00 piastres. These price rises resulted principally from a certain amount of speculative buying in France (due to uncertainty as to the maintenance and improvement of pepper production in Indochina) and the usual depletion of stocks just before the next harvest begins.

AVIATION FARES FROM HONGKONG

Effective as from March 28th of this year, round the world trips have been arranged by various air lines at the rate of £421.17.0. via North Pacific and Mid-Pacific routes, and £491.5.0 via Australia. The fare includes hotel accommodation up to 48 hours (maximum), and the whole journey must be completed within a year. Baggage allowance is 40 kilos., against the usual allowance of 30 kilos. The companies in Hongkong cooperating in this arrangement are B.O.A.C., Hongkong Airways, North West Airlines, P.A.A., and Quantas Airways. Through bookings can also be made in Hongkong by various companies to New York via the United Kingdom, at the rate of £256.15.0., tickets being valid for one year.

As from April 25, only half the return fare from Australia and New Zealand to Hongkong and other parts of the Far East will be charged to students between the ages of 12 and 18 wishing to spend their vacation with their parents.

A rebate of 50 per cent. on the normal adult return fare is given to students between the ages of 12 and 18 travelling from Europe to spend their vacation period in Hongkong with their parents.

Hongkong Exchange Banks Association

AGREED MERCHANT FOREIGN EXCHANGE RATES

Maximum Selling.		Minimum Buying.	
Sterling	1/2 15/16 delivery	1/3 1/32	T.T.
	within 2 months	1/3 1/16	O.D.
	with a cut of	1/3 3/32	30 d/s
	1/32 for every	1/3 1/8	60—90 d/s
	further 3 months forward.	1/3 5/32	120 d/s
(East & South Africa)		1/3 1/8	O/D if under L/Credit
		1/3 3/16	O/D without L/Credit
		1/32nd	up every 30 d/s
(West Africa & West Indies)		1/3 5/16	O/D if under L/Credit
		1/3 3/8	O/D without L/Credit
		1/32nd	up every 30 d/s
Rupees (India) 82 3/4		33 3/4	T.T.
		84	O/D
		84 1/8	7 & 30 d/s
		84 1/4	60 d/s
		84 3/8	90 d/s
Rupees (Rangoon) 82 3/4		All buying rates 3/16th higher than India	
Rupees (Aden) 82 3/4		84 3/8	O/D if under L/Credit
		84 1/2	O/D without L/Credit
		85	30 d/s & 60 d/s
Malaya \$ 52 7/8		53 1/2	T.T. & O/D
		53 5/8	30 & 60 d/s
U. S. \$ and Canada \$ 24	15/16 delivery	25 1/4	T.T.
	within 2 months	25 5/16	O/D—30 d/s
	with a cut of 1/16 for every further 3 months forward.	25 3/8	60—90 d/s
U. S. Notes		25 3/8	(Banks to pay Insurance and postage)
Australia £ 1/6 1/2		1/6 7/8	T.T.
		1/6 15/16	O/D.
New Zealand £		1/3 3/16	T.T.
		1/3 1/4	O/D

Extract from statement made by Chairman of Hongkong Gold & Silver Exchange Society regarding the ban on gold trading in Hongkong

The future operations of the Exchange will be greatly restricted, to work within the limits permitted by Government. After consultation with the Exchange's legal adviser it has been decided to draft new rules for future operation. All free dealings in gold would be suspended, sale of gold to persons outside the Colony was to be prohibited and members were to refrain from publishing information relating to gold. Future dealings shall be only such as to meet requirements of the community. The Exchange shall set up a body to decide what such requirements are. All dealings will be under control of Exchange. Watch will be kept on purchase and sale by members. Sale and purchase shall be confined to manufactured and semi-manufactured gold for industrial or professional use. Suggestions that the Exchange should close were rejected as this would not be of benefit to members while at the same time it will cause inconvenience to the public and to gold-smiths and the jewellery shops. The Gold and Silver Exchange has an unbroken history as old as Hongkong. Operations were only suspended during the Japanese occupation.

The position of Government was fully appreciated, and it was in a spirit of co-operation that the Exchange was putting restrictions on the operations of their members, and instituting a system of self control. No printed quotations would be issued in future. If any transactions do take place the Press was requested to cooperate by not publishing prices.

The Chairman of Exchange spoke before a full meeting of members with 200 bankers and dealers attending. The Press was excluded from the meeting but the executives of the Exchange have given representatives of local papers their unreserved views about the gold ban; the consensus of opinions is unfavourable and no effort is made to conceal extreme disappointment.